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Canada, Railways, Canals and Telegraph
Lines, Standing Committee on 1959

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND
TELEGRAPH LINES

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

Bill C-38, An Act to make Provision for the Reduction of Certain
Class and Commodity Rates on Freight Traffic

TUESDAY, APRIL 14, 1959

WITNESSES:

The Honourable George Hees, Minister of Transport; Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch; G. A. Scott, Director, Economics Policy Branch, Department of Transport; J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. O. Goodman, General Manager, The Automotive Transport Association of Ontario; and G. H. Montague, Secretary, and Legal Counsel, Applied Economic Research Associates.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

Chairman: Gordon K. Fraser Esq.,
Vice-Chairman: Marvin W. Howe Esq.,

and

Messrs.

Allmark,	Drysdale,	Michaud,
Asselin,	Fisher,	Monteith (<i>Verdun</i>),
Badanai,	Fréchette,	Nielsen,
Baldwin,	Grills,	Nixon,
Batten,	Hardie,	Pascoe,
Bell (<i>St. John-Albert</i>),	Horner (<i>Acadia</i>),	Payne,
Bigg,	Horner (<i>Jasper-Edson</i>),	Phillips,
Bourbonnais,	Howard,	Racine,
Bourget,	Johnson,	Richard (<i>Kamouraska</i>),
Brassard (<i>Lapointe</i>),	Keays,	Rynard,
Browne (<i>Vancouver-Kingsway</i>),	Kennedy,	Small,
Brunsdon,	MacInnis,	Smallwood,
Cadieu,	MacLean (<i>Winnipeg North Centre</i>),	Smith (<i>Calgary South</i>),
Campbell (<i>Stormont</i>),	Martin (<i>Essex East</i>),	Smith (<i>Lincoln</i>),
Chevrier,	Martini,	Smith (<i>Simcoe North</i>),
Chown,	McBain,	Tassé,
Creaghan,	McDonald (<i>Hamilton South</i>),	Thompson,
Crouse,	McMillan,	Tucker,
Dupuis,	McPhillips,	Webster,
		Wratten.

J. E. O'Connor,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS

TUESDAY, February 10, 1959.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Allmark,	Hardie,	Nielsen,
Asselin,	Horner (<i>Acadia</i>),	Nixon,
Badanai,	Horner (<i>Jasper-Edson</i>),	Pascoe,
Baldwin,	Howard,	Payne,
Batten,	Howe,	Phillips,
Bigg,	Johnson,	Racine,
Bourbonnais,	Keays,	Richard (<i>Kamouraska</i>),
Brassard (<i>Lapointe</i>),	Kennedy,	Rouleau,
Brunsdon,	LaRue,	Rynard,
Cadieu	MacInnis,	Small,
Campbell (<i>Stormont</i>),	MacLean, (<i>Winnipeg North Centre</i>),	Smallwood,
Chevrier,	Martin (<i>Essex East</i>),	Smith (<i>Calgary South</i>),
Chown,	Martini,	Smith (<i>Lincoln</i>),
Creaghan,	McBain,	Smith (<i>Simcoe North</i>),
Crouse,	McDonald (<i>Hamilton South</i>),	Tassé,
Dupuis,	McMillan,	Taylor,
Drysdale,	McPhillips,	Thompson,
Fisher,	Michaud,	Tucker,
Fraser,	Monteith (<i>Verdun</i>),	Webster,
Fréchette,		Wratten—60.
Grills,		

(Quorum 20)

MONDAY, February 9, 1959.

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House, and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, February 17, 1959.

Ordered,—That the quorum of the Standing Committee on Railways, Canals and Telegraph Lines be reduced from 20 to 15 Members, and that Standing Order 65(1)(b) be suspended in relation thereto; that the said Committee be empowered to print such papers and evidence as may be ordered by it, and that Standing Order 66 be suspended in relation thereto.

WEDNESDAY, March 25, 1959.

Ordered,—That the name of Mr. Bell (*Saint John-Albert*) be substituted for that of Mr. LaRue on the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, April 8, 1959.

Ordered,—That the names of Messrs. Browne (Vancouver-Kingsway) and Bourget be substituted for those of Messrs. Taylor and Rouleau on the Standing Committee on Railways, Canals and Telegraph Lines.

THURSDAY, April 9, 1959.

Ordered,—That Bill C-38, An Act to make Provision for the Reduction of Certain Class and Commodity Rates on Freight Traffic, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

TUESDAY, April 14, 1959.

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be authorized to sit while the House is sitting.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FIRST REPORT

Your Committee recommends:

1. That its quorum be reduced from 20 to 15 members and that Standing Order 65(1)(b) be suspended in relation thereto.
2. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.

Respectfully submitted,

W. M. HOWE,
Vice-Chairman.

(The Second Report of the Committee relates to the consideration of a Private Bill, Evidence heard was not recorded.)

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

THIRD REPORT

Your Committee recommends that it be authorized to sit while the House is sitting.

Respectfully submitted,

W. M. HOWE,
Vice-Chairman.



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MINUTES OF PROCEEDINGS

TUESDAY, April 14, 1959.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 a.m. this day. The Vice-Chairman, Mr. Howe, presided.

Members present: Messrs. Allmark, Asselin, Badanai, Baldwin, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Chevrier, Chown, Creaghan, Crouse, Drysdale, Fisher, Howard, Howe, Keays, Kennedy, MacInnis, MacLean (*Winnipeg North Centre*), Martini, McBain, McDonald, McPhillips, Nixon, Pascoe, Payne, Phillips, Smallwood, Smith (*Lincoln*), Thompson, Tucker, and Wratten. (31)

In attendance: The Honourable George Hees, Minister of Transport; Mr. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; Mr. L. J. Knowles, Commissioner; Mr. A. S. Kirk, Director, Traffic Branch; Mr. G. A. Scott, Director, Economics Policy Branch, Department of Transport.

The Vice-Chairman observed the presence of quorum and asked for movers and seconders for two routine motions.

On the motion of Mr. McBain, seconded by Mr. Asselin,

*Resolved,—*That pursuant to its Order of Reference of Tuesday, February 17, 1959, the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence in relation to Bill C-38.

On the motion of Mr. Bell (*St. John-Albert*), seconded by Mr. Phillips,

*Resolved,—*That the Committee request permission to sit while the House is sitting.

The Vice-Chairman called Clause I of Bill C-38, an Act to make provision for the reduction of certain class and commodity rates on freight traffic, and introduced the Minister.

Mr. Fisher asked permission of the Committee to summon two witnesses who could allegedly contribute materially to the Committee's work. After discussion, it was decided to allow the matter to stand while the Vice-Chairman obtained additional advice.

Messrs. Kerr, Knowles, Scott and Kirk were introduced and Messrs. Hees, Knowles and Kirk were questioned.

At 12.15 p.m. Mr. Knowles' questioning continuing, the Committee adjourned to meet again later this day.

AFTERNOON SITTING

The Committee met at 3:30 p.m. this day. The Vice-Chairman, Mr. Howe, presided.

Members present: Messrs. Asselin, Badanai, Baldwin, Bell (*St. John-Albert*), Bourbnnais, Browne (*Vancouver-Kingsway*), Campbell (*Stormont*), Chevrier, Chown, Creaghan, Crouse, Drysdale, Fisher, Horner (*Jasper-Edson*), Howard, Howe, Johnson, Kennedy, MacInnis, MacLean (*Winnipeg North Centre*), Martini, McBain, McPhillips, Monteith (*Verdun*), Nixon, Pascoe, Phillips, Smith (*Calgary South*), Tasse, Thompson, and Wratten. (31)

In attendance: In addition to those persons listed as in attendance this morning, Messrs. J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. O. Goodman, General Manager, The Automotive Transport Association of Ontario; G. H. Montague, Secretary and Legal Counsel, Applied Economic Research Associates.

The Vice-Chairman reported that the selection and summoning of witnesses was the responsibility of the Committee collectively.

Thereupon Mr. Fisher moved, seconded by Mr. Howard, that Messrs. H. Styffe and E. A. Charnock of Port Arthur and Fort William, Ontario, respectively, be summoned by the Committee and that travel and other expenses be paid.

The motion was negatived—Yea, 5; Nays, 9.

A Brief submitted by the Canadian Transport Tariff Bureau was ordered to be printed as an appendix to the record of this day's proceedings, and copies distributed to members. (*See Appendix "A"*)

Mr. Magee was introduced and, on behalf of Canadian Trucking Associations Inc., read an extensive Brief.

Messrs. Goodman and Montague were introduced and assisted Mr. Magee in answering questions.

It was agreed that all charts, maps, graphs and statistical tables appearing in the Brief be printed as appendices to this day's record. (*See Appendix "B"*)

At 6.05 p.m., Mr. Magee's questioning continuing, the Committee adjourned to meet again at 9.00 a.m., Wednesday, April 15, 1959.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

TUESDAY, April 14, 1959.
9.30 a.m.

The CHAIRMAN: Gentlemen, we now have a quorum. Before we proceed with our first item of business, the consideration of bill C-38, I would like to deal with two routine motions. The first one is with regard to the number of copies of minutes of proceedings and evidence we should print. I have prepared that motion in the following form, "That pursuant to its order of reference of Tuesday, February 17, 1959, the committee print from day to day 750 copies in English and 250 copies in French of its minutes of proceedings and evidence in relation to bill C-38".

Have we a mover and a seconder for this motion?

Mr. MCBAIN: I so move.

Mr. ASSELIN: I second the motion.

The CHAIRMAN: All those in favour of this motion?

Motion agreed to.

The CHAIRMAN: The second is a motion to request permission for the committee to sit while the house is sitting. This power has become necessary because of the number of witnesses we have with us this morning who have come from great distances to Ottawa.

I prepared this motion in the following form, "That the committee request permission to sit while the house is sitting". Have I a mover and a seconder for this motion?

Mr. CHEVRIER: Mr. Chairman, before you put your motion, I am afraid I must protest and object to the motion, on the following grounds. In the House of Commons the position of the opposition was made quite clear, that it is not humanly possible for those of us who are required to perform our tasks in the House of Commons to sit on committee while the house is sitting. As an example of that I can give you two things that have happened within the last few days. There is business that is required to be done in the morning, and it cannot possibly be done if the committees are going to sit while the house is sitting.

I know there is a majority here who will probably approve of this; but I want to protest in as strong a way as I can. True, there are witnesses—and I realize this—who have come from all parts of Canada, perhaps; I do not know. I think before the motion passes we should get some indication from the chair as to who the witnesses are, where they come from and, furthermore, whether or not we will be required to sit in the evenings, because the budget debate is an important one and we certainly cannot be expected to sit here discussing a matter of this importance and be in the house at the same time.

Mr. FISHER: Mr. Chairman, I wonder if you could suggest how long these meetings are going to continue on this particular bill. Can you make any judgment as to how long it is going to take. With regard to your plan to sit while the house is sitting, is the intention to go right through in the afternoon and evening until we have finished the whole business?

The CHAIRMAN: Just in the afternoon, Mr. Fisher. In reply to Mr. Chevrier I would say this. We have some witnesses here from British Columbia, Toronto,

one from Saskatchewan, one from Port Arthur and one from Fort William. So you can see that these people have come a long way, and if they have to stay around here for a considerable length of time, it is going to put them to additional expense.

Mr. CHEVRIER: Might I be allowed to suggest, Mr. Chairman, that the witnesses who have come from far away places, like British Columbia and Saskatchewan, be heard this morning.

Mr. BELL (*Saint John-Albert*): In addition, Mr. Chairman, we have many others who have watching briefs from all parts of the country, and I would think, regardless of the past history of this business of sitting while the house is in session, that it is one time that we could make a particular move to be unanimous on it. But, regardless of that, I so move, that we adopt the motion as outlined by the chairman.

The CHAIRMAN: Moved by Mr. Bell. Have I a seconder of that motion?

Mr. McPHILLIPS: I second the motion.

Mr. HOWARD: Mr. Chairman, might I add one thought here. I know the importance of this matter, the desire to be heard entertained by the people who are here as witnesses and the interest of those who are holding watching briefs in the proceedings. I also know the distances they have come. I wonder whether we might reach some compromise between the motion itself and the idea suggested by Mr. Chevrier, to the effect that we confine our request to sitting while the house is sitting only in so far as consideration of this particular bill is concerned, because of the circumstances surrounding it. I wonder if we could do that, rather than have a blanket request to cover us from now to the end of the session.

The CHAIRMAN: That seems all right, although would it not be possible to deal with those circumstances, when they arise? With regard to the next bill we have up, if we feel it is necessary, we would not have to bring in another motion. If not, we could rescind this.

Mr. HOWARD: I would rather do it as we go along. As I say, this request is for permission to sit while the house is sitting; it does not say we have to sit. Unless it was necessary in another bill I do not suppose any of us want to sit any longer than is necessary.

Mr. CHEVRIER: No; but it has been the experience that when you take the power it is used with reference to all of the matters that come up until they are determined.

Mr. BROWNE (*Vancouver-Kingsway*): It seems to me, Mr. Chairman, that the requirements of the sitting of the committee are going to have to be decided by the committee anyway, whether the power is there or not. If we decide to sit some time in the future, it would mean we would have to ask for the power to sit again, and I cannot see any sense in having to do it twice.

The CHAIRMAN: It is the committee which decides, not the chairman. We have a motion before us. What is your pleasure?

Mr. CHEVRIER: Mr. Chairman, could I make this additional suggestion? It has happened from time to time that as the committee has gone on with its work it has been felt that perhaps it would be necessary to sit while the house is sitting. Why do we not go on with the passage of the first motion and delay the passage of the second until we arrive at the time when the committee feels it is necessary. Then we will consider it? It may not be necessary to sit while the house is sitting.

The CHAIRMAN: Of course, none of us want to sit unless it is necessary; but in view of the number of witnesses who wish to appear in regard to this bill, and also the fact that the minister has to be away towards the end of

the week, I think probably we should deal with this question now so that is is looked after at the present time. As I say, gentlemen, we have a motion before us. What is your pleasure? All those in favour?

Motion agreed to, Mr. Chevrier opposing.

The CHAIRMAN: We now call Bill C-38, an act to make provision for the revision of certain class and commodity rates on freight traffic. On clause 1 of the bill I would like to introduce the minister who, I know, does not need any introduction.

Mr. FISHER: Mr. Chairman, before you continue I wish to make a special request to the committee with regard to a witness from Port Arthur and one from Fort William—in effect, from northwestern Ontario. As some of the members may be aware, it has been the pattern in the past whenever there have been any freight rate hearings, for eight provinces to have official representatives, and Ontario has never had any official representation.

This has been a cause of some concern in our particular area, and we tend to be a block that is outside the normal freight rate structure and the rest of Ontario and Quebec. For that reason, on only one hearing in recent years have we had a representation. Mr. Badanai, the member from Fort William, and I have arranged for two people to come here and give the views of the lakehead region.

The special consideration I am asking is that the committee approve of Mr. Badanai and I calling those people as witnesses. That will enable the committee, through its channels, to pay for the travelling expenses of these gentlemen. This is a special consideration and it is something that is not uncommon to committees; but I wanted to advance the point and ask for cooperation from the other members. I do it because I feel we definitely have a special situation in our particular region, both in the past and probably in the future. That is why I make this request. I would like to move that the committee allow the member for Port Arthur to call two witnesses before this committee.

Mr. DRYSDALE: Mr. Chairman, I wonder if Mr. Fisher could explain what testimony the witnessses will be giving and who the witnesses are, because we are, in a sense, setting a precedent.

We have two witnessses from British Columbia, and I am sure they would be interested in a similar consideration. I think the committee should know who these witnesses are and the type of evidence they will be giving.

Mr. FISHER: One is the chairman of the transportation committee, as I understand, of the northwestern Ontario chamber of commerce, and the other is a gentleman on that committee who has been specifically interested in the wood, pulp and paper industry. One is Mr. E. G. Charnock and the other is Mr. H. Styffe.

Mr. CHOWN: Are there any other witnesses from Ontario?

The CHAIRMAN: There is Mr. Magee from Ottawa; and Mr. Wallace from Toronto—the Canadian transport tariff bureau—has a watching brief. Is there anyone else?

Mr. BELL (Saint John-Albert): I think it would be a very dangerous precedent to start this. Although I sympathize with those who find themselves in a particular situation, I would think that the special interest that Mr. Fisher mentions could apply to anyone anywhere in Canada. I think we would be leaving ourselves open. I know we have one gentleman here from the maritimes who has a watching brief, or is following the proceedings. But I know even down there we have a difficult job getting agreement on our particular problems. And if the thing was opened up in the way suggested,

I think we would have 50,000 people up here desirous of making a case. Down there they always take advantage of a free trip.

Mr. FISHER: The basis for my request concerns this particular problem we have in our region. In all past hearings and probably in all future ones, our region has never had the support of the provincial authorities in regard to representation in any particular way at the hearings; that is why I asked. Mr. Bell says we may be setting a precedent. It is not usual at all for members of committees to ask for people who represent regional views. I would not want to rule out anyone else having this privilege. But, historically, we have never had representation at any hearings of any kind and both the member for Fort William and myself thought that this was a case where we could ask for the committee's support. If the committee is against it, they are against it; but I appeal to you. There is nothing partisan in this.

Mr. BELL (Saint John-Albert): Mr. Fisher, you have stated that you do not have provincial representation as such. Do you not think that that is a provincial matter? If we acceded to your request, we would be opening ourselves up to Ontario problems and would be recognizing a group within Ontario that Ontario has not recognized as having a special interest.

Mr. CHEVRIER: May I ask the chairman if there are many witnesses to be heard from the various provinces? Then I would like to know if it is not sometimes the practice to hear witnesses from various areas who want to make certain representations. The fact that we might decide to hear these two witnesses does not mean that we have to accept their recommendations. We may decide to throw them out. I do not think we can refuse to hear them, in accordance with the suggestion that has been made, now that they have been brought here from the Lakehead.

Hon. GEORGE H. HEES (Minister of Transport): It is a question of this committee's approving the expenses.

Mr. DRYSDALE: Under standing order 69 it states:

(1) No witness shall be summoned to attend before any committee of the house unless a certificate shall first have been filed with the chairman of such committee, by some member thereof, stating that the evidence to be obtained from such witness is, in his opinion, material and important.

And (2) states:

(2) The Clerk of the house is authorized to pay out of the contingent fund to witnesses so summoned a reasonable sum per diem during their travel and attendance, to be determined by Mr. Speaker, and a reasonable allowance for travelling expenses.

In commenting on that it does not appear from looking at it very quickly that it requires the support of the committee to summon a witness.

Mr. FISHER: I have filled in—

The CHAIRMAN: Mr. Fisher filled in the required certificates.

Mr. FISHER: And I wanted the approval of the committee for this, as it is a special case; otherwise, I would sooner let it go.

Mr. BALDWIN: If this is granted, Mr. Chairman, we may find we have many more witnesses who would like to come. I would suggest that we keep the question in mind and wait until the proceedings have been completed. Then at that time if the committee feels there should be some others brought in, we can come to a conclusion at that time. I think we would be on dangerous ground if we say at this time we are going to pay witnesses, especially when we do not know what their evidence is going to be.

Mr. CHOWN: I might say if the hon. member from Port Arthur will agree that the freight rate situation there is closely related to the freight situation throughout the province of Manitoba, the counsel representing Manitoba, who is here today, would be able to put forth your feelings. I concur with my friend and say that if we open up this committee to special representatives from every area, we could, say, suggest to Mr. Crouse, for example, that he could bring someone down from his own bailiwick to represent the fishing industry. We could go on ad infinitum. So I cannot go along with this suggestion, although I sympathize with him. Perhaps he could have his representation made through the distinguished counsel for the province of Manitoba.

Mr. FISHER: We have an area around 700 miles in depth and 500 miles in breadth, which gives us a regional position.

Mr. PAYNE: If we are going to go into this subject fully, I think there is much in what Mr. Fisher has said. I know in our part of the country it has not always been the case that British Columbia has been able to present a proper case. Up until now, they have not had an opportunity to bring their views before this committee. I think we should adopt a little broader view in this matter irrespective of the time factor involved, so that we can properly discharge the responsibilities asked of the committee at this time.

The CHAIRMAN: We have a motion by Mr. Fisher; we have not a seconder for that motion.

Mr. HOWARD: Yes you have, if you need one.

The CHAIRMAN: The motion has been seconded by Mr. Howard. All those in favour of the motion?

Mr. CHEVRIER: Before you put the motion, are we not estopped in view of the section, the rule, that was read a moment ago? If the certificate mentioned in the rule is before you, what alternative have you, other than to abide by this rule? The motion is not strictly before you in that case.

The CHAIRMAN: We have the certificates.

Mr. DRYSDALE: It boils down to this, that all a member has to do is to certify in respect of a witness that his evidence, in his opinion, is material and important. That ends the matter.

Mr. CHEVRIER: The motion is then superfluous.

Mr. DRYSDALE: There is nothing I can find in the rules that requires the approval of the committee on the summoning of witnesses.

Mr. CHOWN: What about the expenses?

Mr. CHEVRIER: If the Clerk says they are material witnesses, the expenses are covered.

Mr. BELL (*Saint John-Albert*): Who decides whether or not they are material?

Mr. DRYSDALE: A member.

Mr. CREAGHAN: I think you had better read the rule again.

Mr. DRYSDALE: It states:

(1) No witness shall be summoned to attend before any committee of the house unless a certificate shall first have been filed with the chairman of such committee, by some member thereof, stating that the evidence to be obtained from such witness is, in his opinion, material and important.

And (2):

(2) The Clerk of the house is authorized to pay out of the contingent fund to witnesses so summoned a reasonable sum per diem during their travel and attendance, to be determined by Mr. Speaker, and a reasonable allowance for travelling expenses.

Mr. BALDWIN: That rule does not say he must be summoned.

Mr. MACLEAN (Winnipeg North Centre): It is a prerequisite obligation to be met before a witness can be summoned; but the rule itself is not mandatory in the effect of compelling the witness' appearance before the committee. It is up to the wishes of the committee.

Mr. BELL (Saint John-Albert): That applies to expert witnesses who are called before committees, and the committee has to agree to summon them.

Mr. DRYSDALE: It does not say so.

The CHAIRMAN: Mr. Chevrier, in your experience in the past, did you ever have this situation arise?

Mr. CHEVRIER: Well, there have been so many meetings of the railways and shipping committee that I would not like to draw on my memory to say there have been such situations. But I would like to draw this to your attention. I think there is a distinction to be made between a witness whom a member of parliament desires to call as opposed to a witness whom the committee or someone else wants to bring forward. After all, I think it must be recognized that a member has certain privileges *qua* a member of the House of Commons which this rule, I believe, seeks to recognize. It strikes me the member has come within the four corners of the rule and for that reason the motion is not in order.

The CHAIRMAN: In view of the feeling that is held in regard to this motion, I would like to hold it in abeyance. I will discuss it with the Speaker of the house and will find out what is the proper procedure to follow. Is that all right?

Mr. FISHER: Yes.

The CHAIRMAN: I was in the process of introducing the Minister of Transport, who I suppose does not need any introduction, and the officials of the board of transport commissioners and the Department of Transport. Mr. Hees will introduce these officials.

Mr. HEES: Gentlemen, I want to say how pleased I am to see such a good turnout at this important meeting this morning. I see many members of the committee here and many people who have come from far distances to present their briefs. We are very interested in hearing these briefs and your point of view. We welcome you here.

I would like to introduce the gentlemen on my right who are the experts in this matter. On my immediate right is Mr. Kerr, the chief commissioner of the Board of Transport Commissioners; on his right, Mr. Scott, who is the director of economic policy of the Department of Transport; on his right is Commissioner Knowles of the Board of Transport Commissioners; and on his right is Mr. Kirk, the traffic expert who deals with tolls and tariffs on the Board of Transport Commissioners.

These gentlemen are here to answer your detailed and specific questions. They are the experts and as such I feel certain they will either be able to give answers to your questions or come as close as humanly possible to doing so.

Having said that I will turn the meeting back to you, Mr. Chairman, so that you may go ahead with your proceedings.

The CHAIRMAN: Thank you, Mr. Hees. Gentlemen, are there some questions you wish to ask these officials with the minister with regard to this Bill C-38? The meeting is open for questioning.

Mr. CHEVRIER: Mr. Kerr, may I ask you how much freight traffic in dollars and cents moves in a year over the railways in Canada?

Mr. ROD. KERR, Q.C. (Chief Commissioner, Board of Transport Commissioners): May I pass that question on to Mr. Knowles?

Mr. CHEVRIER: Yes.

Mr. L. J. KNOWLES (Commissioner, Board of Transport Commissioners): Approximately \$1 billion.

Mr. CHEVRIER: How much for the Canadian National and how much for the Canadian Pacific?

Mr. KNOWLES: I would say about 55 per cent Canadian National and about 45 per cent Canadian Pacific. Within a percentage or two that is about the way it runs.

Mr. CHEVRIER: How much of this is covered by exceptions to the judgment of the board of November 18 and, incidentally, to the bill we now have before us?

Mr. KNOWLES: That is shown in the board's judgment of November 17. I can quote you the figures. They were the estimated revenues for the year 1959 made by the Canadian National and Canadian Pacific.

Mr. CHEVRIER: What page?

Mr. KNOWLES: At page 29 of the boards judgment under Canadian National Railways, Canadian lines. I do not know whether or not you have a copy of it with you.

Mr. CHEVRIER: Yes, I have.

Mr. KNOWLES: Under column (c) you will find the total freight traffic revenue was \$495 million and—

Mr. CHEVRIER: You were going to finish your answer.

Mr. KNOWLES: Underneath that, there is an amount of \$3.1 million, which is usually dealt with under the freight rate increase. It covers switching movements, which are not usually shown but are on separate tickets. It also covers milk traffic handled on passenger cars. The first line shows the amount of money earned on Crowsnest pass rates. The amount is \$32.5 million. Now, the international, overhead, import-export and other related traffic amounts to \$137.2 million. Coal and coke is \$20 million; the amount for competitive rates is \$73.8 million, and for agreed charges, \$56.4 million. All other freight traffic is \$175.1 million. The "all other freight traffic" is what the railways consider to be normal traffic after deducting the other items.

Mr. CHEVRIER: How much of this traffic moves on class and commodity rates?

Mr. KNOWLES: On class rates, about 10 per cent.

Mr. FISHER: That is 10 per cent of value?

Mr. KNOWLES: Yes, by value; not by tons.

Mr. CHEVRIER: That is 10 per cent of the \$495 million you mentioned earlier, for the C.N.R.?

Mr. KNOWLES: That is right. You have not got the figures for the C.P.R. yet. I was going to quote them from the next section.

Mr. CHEVRIER: Am I correct in my assumption with regard to the question asked by Mr. Fisher, that the traffic moving on class rates is 10 per cent of \$495 million for the C.N.R.?

Mr. KNOWLES: That is right. The percentage has been going down. It has gone down from 19.6 per cent in 1949 to 9.3 per cent—or roughly about 10 per cent—for the last figures that I have for 1957. It is not shown in the board's—

Mr. CHEVRIER: How much is it for commodity rates?

Mr. KNOWLES: Commodity rates, 41.3 per cent is the last figure I have.

Mr. CHEVRIER: That is for both railways?

Mr. KNOWLES: That is for both railways.

Mr. CHEVRIER: Can you tell us, Mr. Knowles, how much traffic, in dollars and cents, moves over the railways of Canada on class and commodity rates?

Mr. KNOWLES: In dollars?

Mr. CHEVRIER: Yes—and cents.

Mr. KNOWLES: If you are talking about normal traffic, the total, including the Canada Steamship Lines and one or two small water carriers whose rates are related to the railroads, the amount is \$348,300,000. 384.3 million dollars moves at the normal class and commodity rates.

Mr. CHEVRIER: Out of a total of one billion, and how much.

Mr. KNOWLES: I would say, roughly about a billion dollars.

Mr. CHEVRIER: That is all I have for the time being.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, may I ask Mr. Knowles a question? Are you, in a position, or will you be in a position later, to provide any estimates at all on regional breakdowns of those figures?

Mr. KNOWLES: Yes, I can give you those figures by the three regions. On the western region—

Mr. HEES: Could you define the regions?

Mr. KNOWLES: The western region is west of Port Arthur through to Vancouver and Prince Rupert.

Mr. CHEVRIER: I am sorry, I did not hear that.

Mr. KNOWLES: The western region is west of Port Arthur, to and including the Pacific coast. Based on the board's waybill analysis of this normal traffic, 56.7 per cent moves on the western region. On the central region—that is Ontario and Quebec—it is 26.5 per cent. The maritime regions, 16.8 per cent.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I wonder if I could ask a question with regard to these class rates? Are these the same rates that are referred to in the Turgeon report as "Standard mileage class rates"?

Mr. KNOWLES: No, they are not. The standard mileage rates have been wiped out. They only handled half of one per cent of the tonnage. They were ceiling rates that the railways could not go above, but they did not mean anything because there were so many lower rates. But as a result of the Turgeon commission report, the standard mileage rates and what we call the town tariff rates—towns that had special rates on their own because they had a large amount of business—all classes of class rates were all combined into one rate structure, which was made effective on March 1, 1955, and is uniform all over Canada west of the city of Levis.

The maritimes were exempted from that provision specifically by section 336 of the Railway Act.

Mr. BELL (*Saint John-Albert*): May I ask this question, Mr. Chairman? With regard to the regional figures that you just gave—the percentage of general freight traffic for the regions—do you have a breakdown of class and commodity rates?

Mr. KNOWLES: This is the breakdown of class and commodity rates. Perhaps I did not make that clear. This is not the breakdown of the total traffic; it is the breakdown of these rates with which we are dealing under this bill.

Mr. FISHER: Mr. Chairman, could Mr. Knowles explain the waybill analysis sample?

Mr. KNOWLES: Could I explain it?

Mr. FISHER: Yes. In other words, these are estimated figures, are they not, rather than actual figures?

Mr. KNOWLES: No, they are not estimated; they are actual; because we require the railways to send to the board one per cent of every waybill that is issued, and they have to specify on those waybills whether the traffic moves on a competitive rate, class rate, commodity rate, an agreed charge, or anything else. We take those and analyse them each year. They run from 20,000 to 25,000 waybills. That is a one per cent sample.

We segregate them by regions, we segregate them by commodities, we segregate them by length of haul, and every possible manner in which you could extract the information.

I have one copy of our waybill analysis here, if it is of any use to the committee. There is a copy, Mr. Fisher, if you wish to make use of it. I will bring some more to the next meeting, if you wish.

Mr. FISHER: The point I was interested in establishing was this. Your sample is one per cent, and you arrive at these conclusions, from a one per cent sample, which I imagine you project with statistical accuracy?

Mr. KNOWLES: Yes. We have done this now for about six or seven years, and the samples are remarkably consistent. There is no great variation in the traffic each year, except for certain classes which are slowly declining, particularly the class rates, because those are the highest rates.

Mr. FISHER: Could we take it that if the western region has 56 per cent of the class commodity rate income, at 56 per cent, it is \$348 million; and that breaks down to what—about \$170 million?

Mr. KNOWLES: I have not got the figures, Mr. Fisher. But by taking the percentages of this \$348 million you can easily ascertain what the percentages are.

Mr. CHEVRIER: How many samples of the waybill analysis did you take?

Mr. KNOWLES: We took one per cent.

Mr. CHEVRIER: What was it in numbers—was it 25,000, or 50,000?

Mr. KNOWLES: It runs from 20,000 to 25,000.

Mr. CHEVRIER: And in that manner you have been able to ascertain how traffic moves from one end of the country to the other.

Mr. KNOWLES: Yes. For the first time it gives us a real insight as to how the traffic was moving, where it originates, where it goes, how far it is hauled and the revenue on it. We work out the revenue per ton mile for all these commodities of the class rates. We are doing what the Interstate Commerce Commission does in the United States. They have a one per cent sample. It is subject to some infirmities in respect to this, that you might get a carload one day and not the next, or the next week.

Mr. CHEVRIER: This analysis was of great assistance to the board?

Mr. KNOWLES: Absolutely.

Mr. BELL (Saint John-Albert): Mr. Chairman, may I just ask one question? Are there any figures of traffic in and traffic out, separate from these, for the regions? The figures you have given are general traffic figures; but do you have any separate breakdown of the traffic in or the traffic out of a region?

Mr. KNOWLES: No, we do not keep it that way.

Mr. BELL (Saint John-Albert): It would not be possible?

Mr. KNOWLES: We do not keep it that way, nor do the railways. But I understand the D.B.S. have a carload statement which shows the traffic originating in one province and the other provinces that it went to. But it

would not help you very much, because there is a great deal of duplication in it. That is because a car that leaves Ontario is shown as leaving Ontario and it is shown as being received in British Columbia, or wherever it went to, and there are no figures of the weights or the charges or anything else in those figures.

It is extremely difficult to get anything like that. We have never found any necessity for doing it.

Mr. FISHER: Mr. Chairman, has Mr. Knowles any figures on the lake and rail traffic west?

Mr. KNOWLES: We have them, Mr. Fisher, but we recently had a case dealing with the lake and rail rates. We investigated them thoroughly, and there is a report of the board in connection with it. The figures of the steamship lines are not ordinarily available. There has been no requirement for them to file their statements with the board. But we did get a certain amount of confidential information as to the amount of earnings of the steamship lines, and that is only part of the revenue.

We have not the total revenue from origin to destination. We have simply the revenue that they earned on this traffic. I do not know just what information you want in connection with it. I will give it to you in one Amount—

Mr. FISHER: I want an explanation, and I do not know whether it is relevant to this particular legislation; but it may be, and I should like to know. There is a differential between the all-rail traffic to the west and the rail-lake traffic?

Mr. KNOWLES: That is right.

Mr. FISHER: Am I correct in assuming that the differential is on the basis of water traffic being slower than all-rail traffic, and therefore the differential makes the water rates lower than the rail rates?

Mr. KNOWLES: It was based on two factors originally. It was based on the slowness in transit and, secondly, the lower cost of water transportation very many years ago. But you will probably be surprised to know that the cost of water transportation for package freight is just as high, or higher, than if it were carried by rail.

Mr. FISHER: This, to me, is going to be a key point in so far as this subsidy is going to apply. It is one of the important points that I want to find out about in this investigation. If this subsidy is not going to apply to differential rates existing between all-rail traffic and water traffic, the package traffic we have on the lakes is going to be in an invidious position?

Mr. KNOWLES: No. The bill as drawn provides for a subsidy for the lake and rail rates between eastern and western Canada.

Mr. DRYSDALE: I am interested, Mr. Knowles, in knowing what companies other than the C.N.R. and C.P.R. are covered by bill C.38 and are entitled to the increase.

Mr. KNOWLES: The Northwest Steamships, which operate from the western part of Ontario around Windsor to the head of the lakes—

Mr. DRYSDALE: I am interested in knowing the railway companies.

Mr. KNOWLES: You want to know the steamship lines that operate in connection with these lake and rail routes?

Mr. DRYSDALE: No; I just want to know what companies are covered by this increase. At page 2207 of *Hansard* the minister stated, when he gave his initial review of the bill, "The companies that are subject to order No. 96300, and thereby come within the scope of this legislation, are principally

the Canadian National Railways, the Canadian Pacific Railway Company and its leased lines, and a number of smaller railway companies which are member lines of the railways association of Canada"—

I would be interested in having the names of those companies, and I am particularly interested, coming from British Columbia in knowing whether or not the P.G.E. is within that list.

Mr. KNOWLES: The Pacific Great Eastern did not apply to the board for permission to increase its rates, because they are not under the jurisdiction of the board.

Mr. DRYSDALE: I appreciate the jurisdiction problem, but they are a member of the Railway Association of Canada, are they not?

Mr. KNOWLES: That is right. But the Railway Association specified the carriers that it was acting for, and this is a copy of the application. If you like, I will read them off.

Mr. DRYSDALE: I should like to have a list.

Mr. KNOWLES: The Algoma Central and Hudson Bay Railway, Canadian National, Canadian Pacific and its leased line, (which consist of the Dominion-Atlantic Railway, Quebec Central Railway, Esquimalt and Nanaimo Railway) the Midland Railway Company of Manitoba, the Northern Alberta Railway, the Ontario Northland Railway.

I want to say there, that is only the line from Swastika to Rouyn which is under the jurisdiction of the board. All the rest is not under the jurisdiction of the board; it is a provincially chartered line. Then there is the Toronto, Hamilton and Buffalo Railway.

There are several United States railways which operate in Canada and which joined in the application. They are the Great Northern Railway Company, the Michigan Central Railroad, the New York Central System, the Chesapeake and Ohio Railway Company (northern region) and the Wabash Railroad Company.

Then there are two small lines which join, the Canada and Gulf Terminal Railway and the Naperville Junction Railway. There are three or four small lines omitted from there which did not join in this application. The Sydney and Louisburg Railway is one; the Pacific Great Eastern is another. I think there are one or two more, but I cannot recall them at the moment.

Mr. DRYSDALE: I realized the jurisdictional problem before I raised the question; but is it not possible for a railway such as the Pacific Great Eastern to come under, shall we say, the benefits and detriments of the Board of Transport Commissioners? In other words, the P.G.E. is conforming with the other railways as far as the rate increases are concerned. As far as the 17 per cent is concerned, does that mean they do not get any benefit under this act?

In other words, they are left up at the 17 per cent, whereas the C.N.R. and C.P.R. are entitled to get this 17 per cent, also, and some of the smaller lines.

Mr. KNOWLES: That was a government decision, to apply that reduction only to those railways who applied for the increase and had received the increase of 17 per cent.

Mr. DRYSDALE: Could the P.G.E. on a future occasion apply and come under the jurisdiction of the board?

Mr. KNOWLES: No, not unless parliament passes a bill. Not until they say it is to the general advantage of Canada, which would automatically bring it under the jurisdiction of the board.

Mr. CHEVRIER: Who fixes the rates for the P.G.E. now?

Mr. KNOWLES: They fix them themselves.

Mr. DRYSDALE: But in conformity with the Board of Transport Commissioners?

Mr. KNOWLES: Not exactly. They had quite a different scale at one time; but I think they have brought their rates pretty well in line with the Canadian National and the Canadian Pacific rates during the past few years.

Mr. BROWNE (*Vancouver-Kingsway*): I believe they do implement the Crowsnest pass rates, just the same as the other railroads.

Mr. KNOWLES: No, they do not.

Mr. BROWNE (*Vancouver-Kingsway*): My information is that they do.

Mr. KNOWLES: I do not think so. They do not joint in the Crowsnest pass rate.

Mr. BROWNE (*Vancouver-Kingsway*): My understanding from officials of that railroad is that they do.

Mr. KNOWLES: Unless that was recently, when they got it connected up at Dawson Creek.

Mr. BROWNE (*Vancouver-Kingsway*): My understanding of this bill is that it is to subsidize the shipper, and in this particular case it would depend on what railroad the shipper is using as to whether or not he is going to be covered by this subsidy.

Mr. KNOWLES: That is something I cannot answer. The board is given directives by the government. That is a matter of government policy, as I understand it. The Minister of Transport could perhaps answer a question of that kind, as to why it does not apply to the Pacific Great Eastern Railway.

Mr. BROWNE (*Vancouver-Kingsway*): Yes. And there is one other line in British Columbia in which I am interested. I was under the impression it was a leased line of the C.P.R. The line I am interested in is the Vancouver-Lulu island line.

Mr. KNOWLES: I understand they have leased that line, yes.

Mr. A. S. KIRK (*Director of Traffic, Board of Transport Commissioners*): That is now C.P.R.

Mr. BROWNE (*Vancouver-Kingsway*): They carry on their own operation; they do not operate from the headquarters of the C.P.R.?

Mr. KNOWLES: That is part of the C.P.R. They have increased their rates and they will get the reduction—although they are not shown here in the application.

Mr. DRYSDALE: You mentioned the route from Swastika to Rouyn, the Ontario Northland Railway. How did they come under this?

Mr. KNOWLES: As soon as any provincial railway crosses a provincial boundary, it automatically comes under the Railway Act. They have a separate corporation for the Nipissing Central Railway.

Mr. CHEVRIER: Is there nothing the P.G.E. can do to come within the purview of the Board of Transport Commissioners and therefore under the operation of this subsidy?

Mr. KNOWLES: No, they cannot put jurisdiction on us. All they can do is ask parliament to pass a bill saying their work is for the general advantage of Canada, and there are lot of considerations involved in that.

Mr. CHEVRIER: Then how does the Ontario Northland Railway come within the jurisdiction of the board, other than that part from Swastika to Rouyn?

Mr. KNOWLES: It is not under our jurisdiction.

Mr. CHEVRIER: I understood it was, for the fixation of rates.

Mr. KNOWLES: The only operation under the jurisdiction of the board is local traffic from Swastika to Rouyn. We have no jurisdiction from North Bay to Cochrane.

Mr. SMITH (*Lincoln*): Mr. Chairman, I should like to ask one or two questions in connection with the shipment of fruit and vegetables from the United States, which is big business. With regard to shipping fruit from Georgia to Winnipeg or Montreal, for instance, when it crosses the border at, say, Niagara Falls, will it be subject to the same freight rates and the same cost as Canadian goods being shipped, say, by the Niagara peninsula?

Mr. KNOWLES: Generally speaking, with fruit there are through rates between the southern states and points in Canada. They are not subject to the local rates at all when they get to Niagara Falls, unless there happens to be no through rates, in which case you would have to pay the combination of the United States rate up to the border and the Canadian rate after that. But, generally speaking, there are through rates which are arranged between the Canadian lines and the United States lines; and generally they are on the basis of the United States rates, because the United States lines, in order to avoid charges of discrimination, will not join in rates between their territory and Mexico and Canada unless they are on the basis of the American rate or a little higher. They cannot have them lower.

Mr. SMITH (*Lincoln*): I understand that the United States government subsidizes fruit and vegetables that are being exported out of the country. That would mean—I take it from your remarks—that American fruit could be shipped from, say, Niagara Falls to Montreal more cheaply than Canadian fruit could be shipped to Montreal?

Mr. KNOWLES: No, I would not say that. I would not say that without taking out the tariffs and going into quite an investigation of that.

Mr. SMITH (*Lincoln*): Would it be possible to get something a little more definite?

Mr. KNOWLES: I am afraid not.

Mr. SMITH (*Lincoln*): Because I am inclined to believe that there is a preferred rate which American shipments enjoy that Canadian shipments do not, and I have not been able to get clarification on that yet?

Mr. KNOWLES: If it is subsidized, there is nothing the Transport Board can do about it.

Mr. SMITH (*Lincoln*): So it is quite permissible for American railroads to subsidize their exports after they reach the Canadian border, going to any point in Canada?

Mr. KNOWLES: I am not familiar with that situation. That is one question I cannot answer.

Mr. CHEVRIER: Mr. Chairman, may I come back to a question which I asked originally? It has been stated that this subsidy is going to the long-haul provinces; but it is also a fact, is it not, that the benefit of it will go to the short-haul provinces?

Mr. KNOWLES: It goes to everybody who sustains the 17 per cent increase on the normal rates. We tried to work out schemes that would put it on the long haul and not on the short haul, and I found it could not be done.

Mr. CHEVRIER: Have you a division of the class and commodity rates as it affects the long and short haul provinces; in other words, what I am trying to find out is how much traffic moves on class and commodity rates in the long haul provinces as opposed to class and commodity rates in the short haul provinces.

Mr. KNOWLES: I compiled a few figures, Mr. Chevrier; I hope I have them here.

Mr. BELL (*Saint John-Albert*): At the same time could we have some definition of a short haul and a long haul?

Mr. CHEVRIER: I was going to ask that; I have that noted under my list of questions here.

Mr. DRYSDALE: It would also be appreciated, Mr. Chairman, if a definition could be given for class rates, commodity rates and competitive rates as used in this particular order.

Mr. KNOWLES: We have a document which explains that very briefly. Although I do not have it with me, we could file it later on.

Mr. CHEVRIER: I am willing to leave it at that. I could go on with a few other questions.

Mr. KNOWLES: I was speaking to this gentleman, Mr. Chevrier.

Mr. CHEVRIER: I beg your pardon.

Mr. KNOWLES: I had the waybill study for 1957. I had the cards run off through the calculating machine for the purpose of telling me how much traffic moved at different mileages. I think this will perhaps give you the figures you wish. Up to 500 miles there was \$1,234,000 moved out of a rough total of \$3 million. From 500 miles to 1,000 miles it was \$732,000; from 1,000 to 1,500 miles it was \$456,000; from 1,500 to 2,000 miles it was \$194,000; from 2,000 to 2,500 miles it was \$266,000; 2,500 miles to 3,000 miles, \$75,000; and over 3,000 miles it was \$8,000. Now, a percentage could be worked out from that.

Mr. CHEVRIER: Well, in the mileage block, from 0 to 249, how were the class and commodity rates distributed?

Mr. KNOWLES: I do not get your point, Mr. Chevrier.

Mr. CHEVRIER: I understand there are ten blocks, and you have proceeded to give me some figures for some of them; but I would like to get them all for the ten blocks or the nine blocks.

Mr. KNOWLES: I have not the figures here. I just had it in 500-mile blocks.

Mr. CHEVRIER: Would you get them for me, as you have given them for five or six blocks? Would you get the figures for the nine blocks, that is 0-249, 250-499, 500-749, 750-999, 1000-1499, 1500-1999, 2000-2499, and right down to 4000 or 4500, whatever is the last block. Could you get the amount of class and commodity rates that move to those various blocks?

Mr. KNOWLES: It would take quite a while to get that information. I would say it would take a few days. We can get it by running these cards through again and setting the machines to take off the totals at each mileage block. I suppose the class rate mileage blocks would suit you.

Mr. CHEVRIER: Yes. I am trying to find out how much of this benefit or subsidy is going to go to the long haul as opposed to the short haul provinces, and I think the best thing is to divide them up into the nine blocks.

Mr. KNOWLES: It all depends what you would call long haul and what you would call short haul.

Mr. CHEVRIER: That brings us to the question: what is the definition of a long haul?

Mr. KNOWLES: I could not tell you; it all depends on the provinces and the territory. If we are talking about Canada, I would say a short haul is 500 or even 1,000 miles; and it goes up to 4,250 miles, which is the distance from St. John's, Newfoundland to Prince Rupert.

Mr. CHEVRIER: Who determines whether the haul is long or short?

Mr. KNOWLES: No one has ever determined that.

Mr. FISHER: Are the terms long haul and short haul a factor in any of your rates?

Mr. KNOWLES: No; every rate beyond five miles starts to taper off until you get up to 4,500 miles. It depends what province you are in whether you have 100 miles or 1,000 miles. For example, the longest haul in Prince Edward Island would only be 100 or 150 miles and a short haul would be 10, 20 or 30 miles. It has no relationship to Ontario or Quebec, or from the east to the west.

Mr. CHEVRIER: I think the committee would be interested in knowing who is going to get the benefit of this subsidy of 7 per cent; is it going to be the short haul provinces as well as the long haul provinces?

Mr. KNOWLES: Oh, yes.

Mr. CHEVRIER: And how much will the short haul provinces receive as opposed to the long haul provinces?

Mr. KNOWLES: I cannot give it to you by provinces because there are no statistics kept.

Mr. CHEVRIER: Have you a plan?

Mr. KNOWLES: So far as the three regions are concerned, I have given you the information already.

Mr. CHEVRIER: I know, but I am not satisfied that the information is sufficient. I would like to receive it with reference to these blocks, because that breaks down in further detail the effect of the class and commodity rates within these three regions that you mentioned.

Mr. KNOWLES: The Department of Transport handles this matter and they have punched a card for every waybill; so there is 20,000 to 25,000 cards to be run through. The machines would have to be set to trip at each ten miles. I do not think we can trip it at five miles; it is not made that way. However, for every ten miles, I think we can give you a figure of the earnings under this \$3 million to show you at what mileages the money was earned. However, Mr. Scott, who supervises these things, advises me it will take a few days to get the cards set up and the information run off.

Mr. CHEVRIER: Well, could we have it? It does not matter if it is not completed before the committee's sittings are completed. As long as it is made part of the record, I am satisfied. It could be annexed to the evidence.

Mr. FISHER: Is this subsidy application as simple as this: the western region has 56 per cent of the class and commodity traffic at the present time. That is the latest analysis you have. Do I understand that 56 per cent of the class and commodity traffic would get approximately 56 per cent of the subsidy?

Mr. KNOWLES: That is right.

Mr. FISHER: It is as simple as that?

Mr. KNOWLES: It is as simple as that.

Mr. CHEVRIER: It does not work out that way.

Mr. FISHER: Could you go on from there and give us an explanation of how the application is going to be determined?

Mr. KNOWLES: Do you mean how the rates are going to be reduced?

Mr. FISHER: Yes?

Mr. KNOWLES: It is extremely simple. There is a master tariff in effect which sets out columns (a) and (b); the rate is \$1 in column (a) and \$1.17 in column (b). Every tariff subject to the 17 per cent is referenced by a connecting link supplement to that master tariff. All the railways will have to do is

reissue that master tariff and where it says \$1 in column (a) it will be \$1.10 in column (b). They will have to issue new connecting link supplements. No, I am sorry, they will not need that because it applies to whatever rate in the master tariff—

Mr. FISHER: This is not going to be applied at all in the way the bridge subsidy is applied.

Mr. KNOWLES: No. It will require the railways to make just as many calculations and submit as many bills; but the work of the bridge subsidy was different from this.

Mr. FISHER: In essence, it is a restrictive sort of thing. It goes back for a year; but with this you are going to start with a clean slate. You are going to have your \$1.17 and then your reduction, and that is going to be the rate on all this class and commodity traffic.

Mr. KNOWLES: Yes.

Mr. TUCKER: I would like to know whether the summer rates published by the Canadian National Railways on movements, say from Toronto to St. John's, Newfoundland, will be eligible for subsidy.

Mr. KNOWLES: It will come under the subsidy if it is a normal rate. If it is a normal rate, it will apply through from Montreal, Toronto, Windsor, Vancouver to St. John's, Newfoundland.

Mr. BROWNE (*Vancouver-Kingsway*): One of the things that was pointed out in the Turgeon royal commission's report was that when there were horizontal freight increases it had a great deal more effect on the long haul shippers than on the short haul ones, because the existing relationships were disturbed. Because of his cost the amount of a long haul shipper into a market was increased more than a short haul shipper. It was said there should be more of a tapering of rates there. Has any consideration been given in the application of this subsidy to apply it on a greater scale to the long haul rates, or is everyone going to get exactly the same?

Mr. KNOWLES: I tried to work it out, but it cannot be done. We were getting into so many complications that we would have the freight tariffs so tied up no one would be able to read them.

Mr. BROWNE (*Vancouver-Kingsway*): Supposing the 17 per cent increase has not been taken, say for competitive reasons, marketing competition, competition not only with other firms but the market competition, and for that reason the railroad only decided to take 10, 12 or 15 per cent, or in an extreme case 16 per cent, and subsequently they only increased them 15 or 16 per cent, they would not then get anything under this.

Mr. KNOWLES: The railways do not change their rates that way. When we authorize them to put in the 17 per cent they file this matter tariff with the 17 per cent and all the normal traffic tariffs have a connecting link supplement to the tariff, and everything goes up 17 per cent. It may be that later on the railways would find out they cannot get the traffic with the 17 per cent, and they would reduce the rates. We consider those are competitive rates.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, if they took the 17 per cent and got their 7 per cent subsidy—we will assume it is 7 per cent—then they found that competition had developed at that time and they had to reduce it lower, what would happen then; would the 7 per cent still be applied?

Mr. KNOWLES: It would be applied to the normal rate; the normal rate will take the 7 per cent reduction.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, it would become a competitive rate and still be getting a subsidy?

Mr. KNOWLES: No, they will not get a subsidy under any competitive tariff.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, the 7 per cent would be taken off on that particular item?

Mr. CHEVRIER: They will not get it.

Mr. BROWNE (*Vancouver-Kingsway*): They have increased it 17 per cent and have got their 7 per cent; subsequently they find competition develops and that rate is no longer satisfactory because they are not getting the business and they have to reduce that by another 5 per cent. What is going to happen then? Are they still going to continue to draw the 7 per cent subsidy?

Mr. KNOWLES: No, they can only submit bills for shipments that were increased originally 17 per cent and were reduced to 10 per cent.

Mr. CHEVRIER: Was not that whole problem determined by November 18, 1958, I am talking about the judgment now. Is not that the governing date in so far as the 17 per cent increase is concerned?

Mr. KNOWLES: That is right. This bill simply says, "where the board authorized in that order".

Mr. CHEVRIER: And if the railroads did not take the benefit of the 17 per cent increase from the time that judgment came into effect and the time the subsidy comes into effect, then the subsidy does not apply.

Mr. KNOWLES: That is quite correct.

Mr. CHEVRIER: I now go back to my original question where you were saying how simple this was. I respectfully disagree with you, because there are many rates filed by the railways that do not benefit by the 17 per cent increase because the traffic would not have moved had they increased them to the full 17 per cent. They may have only increased it 3 per cent.

Mr. KNOWLES: This would be for the category of competitive rates.

Mr. CHEVRIER: And they would not get the benefit of the subsidy.

Mr. KNOWLES: That is right.

Mr. CHEVRIER: There must be many of those.

Mr. KNOWLES: I have no doubt there are, but as I understand it this is a bill to help the fellow who is paid the full 17 per cent increase and nothing else.

Mr. CHEVRIER: Well, it is to help the fellows themselves to help the railways who incur—

Mr. HEES: This is to help the shipper; the consumer, really.

Mr. CHEVRIER: Just a moment. I have been through this long before you have. I say this with deference now. It is to help the shipper but also to help the railways because the railways are in a pretty serious position at the present time. I do not think there is any doubt that the railways position from the point of view of moving traffic is more serious now than at any other time. Is that a fair way of putting it?

Mr. KNOWLES: Well, I can see your point, that the railways will get some benefit from it. They will not have to maintain such high rates because the government is paying 7 per cent of the cost of hauling the traffic.

Mr. CHEVRIER: May I go back to this simple order which seems to be so clear in the minds of the public. I do not know that it is. Perhaps it is not clear in my mind; but if it is not you might be able to help me. If it is a fact that there are thousands of rates that have not benefited by the 17 per cent increase because it was impossible to raise them that amount, is it then going to be as simple as you say to apply the effect to the subsidy on these rates?

Mr. KNOWLES: Yes, because the tariffs showing these lower rates are not cross-referenced to the master tariff.

Mr. CREAGHAN: Could I ask a question, Mr. Chairman. My understanding of this legislation is that the \$20 million could only be used to subsidize freight

that was non-competitive shipments in class or commodity and that they had to be on a schedule before November 17, as such, to be eligible for the subsidy. In other words, there is a small subsidy going into central Canada, or the central region of Ontario and Quebec because of the fact very little of the shipment within these provinces is non-competitive. Is that a correct assumption?

Mr. KNOWLES: Well, I gave the figures a while ago, that the central region would have 26½ per cent of this subsidy because there are a lot of normal rates in Ontario and Quebec and it is a mistake to assume that every rate in Ontario and Quebec is a competitive rate.

Mr. CREAGHAN: I do not assume it. I am suggesting the majority of the rates in Ontario and Quebec are not non-competitive; that means there are no competitive agreed charges or—

Mr. KNOWLES: There is still 26½ per cent of the traffic in Ontario and Quebec which takes the full 17 per cent increase.

Mr. CREAGHAN: I thought you were going to say "only 26½ per cent".

Mr. FISHER: I thought that 26½ per cent was the value.

Mr. CHEVRIER: It is the percentage of the total traffic, is it not?

Mr. KNOWLES: The percentage of the total normal traffic.

Mr. HEES: Of Canada.

Mr. CHEVRIER: May I follow up the last question asked by the member? How are the class and commodity rates divided between the three regions that you have mentioned, western, central and maritime? How are they divided?

Mr. KNOWLES: They are not divided at all.

Mr. CHEVRIER: How are they distributed?

Mr. KNOWLES: If a car passed from St. John's, Newfoundland, to Vancouver over the three regions, there is no division. There is no necessity for making it. This is for traffic that originates in these regions.

Mr. CHEVRIER: Well, if you cannot break it down, is it possible to say then how the rates are distributed other than the three percentages which you have given.

Mr. KNOWLES: I think one would offset the other—originating in one region and going into another. There is a lot of interchange between the three regions.

Mr. CHEVRIER: May I put it this way; it is not the length of the haul that determines the application of this subsidy?

Mr. KNOWLES: No, you can get a subsidy on a five-mile haul, if it was increased 17 per cent.

Mr. CHEVRIER: If that is the answer, this is the kind of rate that the shipper is using.

Mr. KNOWLES: Yes.

Mr. CHEVRIER: It is the kind of rate that the shipper is using that is going to determine the application of this subsidy to him.

Mr. KNOWLES: That is correct.

Mr. CHEVRIER: Now, you cannot tell me how that kind of rate is distributed?

Mr. KNOWLES: Only to the extent that I have done here in these percentages.

Mr. CHEVRIER: Well now, can you give us the percentage? I suppose we could work them out ourselves. Could you give us those percentages in dollars and cents?

Mr. KNOWLES: It would be a simple matter of calculation, western Canada 56.7 per cent of \$348,300,000. Apply those percentages to that figure and you will find out what traffic is originating in each region.

Mr. CHEVRIER: I was trying to get you to do that for me.

Mr. SMITH (*Lincoln*): I will be as brief as possible. I asked two questions and received a good reply to the first one. The second question was this: can and does the American government subsidize American fruit and vegetables, that is the freight rates on them, when it is crossing Canadian rail-railways?

Mr. KNOWLES: I do not know.

Mr. SMITH (*Lincoln*): Then leave my question on the minutes and prepare an answer for it.

Mr. KNOWLES: I do not know anything about subsidies on the American railways or on the fruit itself.

Mr. SMITH (*Lincoln*): It is information which I would like to obtain. If you cannot supply me with this information, I will get it somewhere else.

Mr. KNOWLES: I think you are talking about the fruit itself.

Mr. SMITH (*Lincoln*): No, the freight rate subsidy.

Mr. KNOWLES: I do not know anything about it.

The CHAIRMAN: We will endeavour to get that answer for you, Mr. Smith.

Mr. KNOWLES: We will endeavour to obtain it from the Interstate Commerce Commission.

Mr. SMITH (*Lincoln*): During the off-season we are not concerned, but when our fruit is in season it amounts to quite a problem.

Mr. KNOWLES: This is something of which I am not aware. We have \$20 million that is going to be spent in one year. Could you trace through that money from its origin in the Department of Finance until it is paid and just tell us how the whole thing is done? Where is this \$20 million fund going to? Is it going to be paid out by the Board of Transport Commissioners?

Mr. HEES: It will be paid by the Department of Finance to the railways, as I understand it, on information they receive from the Board of Transport Commissioners indicating that railways and water carriers have reduced their freight rates by a certain amount.

Mr. FISHER: Well, this round figure of \$20 million is perhaps bothering me. But is it not a 7 per cent decrease based upon an estimate of the past year?

Mr. HEES: Yes.

Mr. FISHER: You have another year that you cannot analyze statistically. How are you going to equate the difference? Is it not possible that the railways might be entitled because of traffic increases, to 21 or 22 per cent? How can you get the ceiling?

Mr. HEES: This will be worked out as the year goes along. My statement has always been that it will be reduced by approximately 7 per cent. There is \$20 million to spend, and as the railways proceed during the year reducing their freight rates, according to the instructions contained in this bill they will be reimbursed by the Department of Finance. We will try to get the thing to come out even at the end of the year. It will be quite a job.

Mr. FISHER: We are talking about coming out of the recession. If carloads increase, it is quite possible that this whole thing may change drastically and the railways might have to issue new rates within the year?

Mr. HEES: That is right. We will be entitled, when the bill passes—if, as and when the bill passes—to pay out \$20 million. If there is a great increase in traffic, then the reduction might not be possible by a full 7 per cent. It might be less than that.

Mr. FISHER: On the other hand, as you move towards the end of the year, if traffic slumps—

Mr. HEES: Then it will be more. We will pay out \$20 million in a twelve-months period.

Mr. FISHER: Those payments will start almost immediately the bill is passed; is that correct?

Mr. HEES: Yes.

Mr. FISHER: So by the end of the year the \$20 million will be exhausted?

Mr. HEES: It will.

Mr. FISHER: There is one other question, Mr. Chairman. We are providing here just for an interim period of one year?

Mr. HEES: That is right.

Mr. FISHER: Is it fair to ask you this question, Mr. Minister? If we do not have a new enunciation of policy by parliament with regard to freight rates at the end of that period, is it quite possible that this legislation may have to be extended?

Mr. HEES: If a report is not down within a year, or if it becomes obvious that it will not be down within a year, then the government will have to give very serious consideration to what course of action it will follow.

Mr. DRYSDALE: I am interested in this matter of order No. 96300 coming into effect on November 17, and this matter of there being a full 17 per cent.

Supposing that in the interval between November 17 and 1958 the first situation develops that the railways decide to reduce it to 10 per cent or 5 per cent. Is there anything prescribed which would make them raise it back to 17 per cent during that interval?

Secondly, with order No. 96300 being, as I understand it, permissive, if the railway did not add the 17 per cent on a particular item, can it now right up to the date of the coming into effect of this act, for example—hearing the good word—suddenly rush out and raise their rates to 17 per cent in order to come within the subsidy? And if not, why not?

Mr. KNOWLES: The answer to that is that the order of the board is permissive. If they have not taken the increase up to now, I see nothing to prevent their taking it.

Mr. DRYSDALE: And coming within the act?

Mr. KNOWLES: And coming within the act.

Mr. DRYSDALE: And that would apply to reducing one down to, say, 10 per cent and then raising it up to the 17 per cent?

Mr. KNOWLES: Yes. It might give the shippers some benefit—

Mr. DRYSDALE: But the only qualification is to get it up to the 17 per cent before the act is passed?

Mr. KNOWLES: Yes. I think they could do that. I may be wrong. Mr. Kerr is a lawyer, and he can tell you whether or not I am right on that.

Mr. DRYSDALE: You mentioned a master tariff. Being a relative novice of this committee, I am still interested in a definition of class, commodity and competitive rates. I wonder if the master tariff would at least be available for interested people such as myself to see?

Mr. KNOWLES: We can get a copy of the master tariff for you, if you wish it, and a copy of the connecting link supplement to one or two of the tariffs.

Mr. FISHER: When you talk about the "master tariff", is that the railway association book with all the classes in it?

Mr. KNOWLES: No; you are thinking of the freight classification, which takes 8,000 groups of articles and divides them into ten classes for the purposes of having a rate of some kind on everything.

You start from there with your class rates, working down to your commodity rates. A commodity rate is simply a rate that is lower than the class rate.

Mr. FISHER: Would it be possible, Mr. Chairman, for each member to be provided with those Canadian Railway Association class rates?

Mr. KNOWLES: The class rates, the freight classification?

Mr. FISHER: Yes.

Mr. KNOWLES: I do not know what supply of these they have left; but someone, either you or I or the government, would make application to the Canadian Freight Association and I am quite sure they would send you enough copies of the classification for the committees.

Mr. DRYSDALE: Mr. Chairman, could I get those definitions before we push on? I have been trying to get them two or three times.

Mr. KNOWLES: The Railway Act, section 331, says, "The tariff of tolls that the company is authorized to issue under this act for the carriage of goods between points on the railway are (a) class rate tariffs; (b) commodity rate tariffs; (c) competitive rate tariffs; and (d) special arrangements tariffs".

The railway is authorized to issue four different kinds of tariffs. The bill deals with tariffs under (a) class rate tariffs, and (b) commodity rate tariffs.

The class rate tariff simply specifies the rates on the ten classes in the freight classification. First of all, before you start to run a freight traffic department you have to have a freight classification, under which the railway finds out everything that is made or sold, imported or exported, in the dominion. They list them all down and, according to their traffic characteristics—whether they are valuable or not valuable; whether they are fragile; whether they are heavy or whether they are light—goes into these classes.

You might find groceries in the first class, and you will find lumber and cement in the tenth class. In order to use that classification you have to have a tariff—another tariff—called a class rate tariff, which specifies the origin and destination point and shows by an index number, the class one or the 100 per cent, and then the other nine classes are percentages of the class one rate. That gives you a freight tariff that will apply on everything between every point in Canada. The tariff would be too big to have it apply between all stations, so there are several issued. There are maritime provinces tariffs, central region tariffs and western region tariffs. Originally all traffic was carried at the class rates back in 1881, but with the growth of bulk traffic the railways found the classification too high and they pulled some of them out of the classification and called them commodities, and applied commodity rates to them.

A commodity rate is simply a rate that is lower than the class rate. You will find a class rate between every point in Canada. That is there as a standard. If there is no other rate, such a competitive, commodity, agreed charge, or anything else, that is the rate you apply. It is always there, and when you publish a rate, say, on lumber or cement, on a commodity basis, it is lower than the class rate. The class rate still stays in the class rate tariff; it is not cancelled out. It is there in case you cancel the commodity rates. That is a brief description of the class and commodity rates.

Then you have competitive tariffs. The railway has put in the normal rate by the class or commodity and then discovers the truckers, or the water lines, or somebody else, is carrying traffic at a lower rate. It then has the privilege of publishing a competitive rate, which is lower than the normal rate which has been authorized by the board over a great many years. The railways

try to ascertain what their competitors are charging, and many times will apply the same rate. Other times it might be higher, or lower, depending on the value of the railway service compared with the competitive service.

Mr. CHEVRIER: Are some of those rates non-compensatory?

Mr. KNOWLES: I do not think so, Mr. Chevrier. They are usually on high-rated articles that simply will not stand the high classification. They have to be brought down. I would say the competitive rates yield as good revenue as a lot of the other traffic.

Mr. CHEVRIER: Yes, I see that.

Mr. DRYSDALE: Have competitive rates always been related to the railways, or have they ever been used on other forms of transport?

Mr. KNOWLES: If it was a matter of cutting the other fellow's throat all the time, you would simply have chaos in your freight rate structure. So there is an association, the Canadian Freight Association, to which the two principal railways and about 15 of the smaller railways belong. They meet once a month and determine the rate applications that are being made to them by the shippers, and they determine what the rate shall be.

Mr. CHEVRIER: It is \$73.8 millions for one year—is that the figure—that moves on competitive rates for the Canadian National?

Mr. KNOWLES: That is on the Canadian National. On the Canadian Pacific it was slightly different. You have not got the Canadian Pacific figures down, I think, Mr. Chevrier. I will put them on the record if you wish. The total revenue is \$406.2 million, and the grain products account for \$37.7 million. The international export and import traffic is \$121.3 million; coal and coke \$15.5 million; competitive rates \$50.6 million; agreed charges \$48.4 million; and all other freight traffic—which would be the normal traffic—is \$132.7 million.

Mr. CHEVRIER: Coming back to this question of competitive tariffs and their compensatory aspect, the board has a provision that allows it to examine whether the competitive rate is compensatory or not, has it?

Mr. KNOWLES: We have used that quite a few times, Mr. Chevrier. It has been a very useful section of the Railway Act, section 334. It was something that I myself recommended to the royal commission. They adopted my recommendation and parliament enacted it, as you know.

Mr. CHEVRIER: Hear, hear.

Mr. KNOWLES: Ordinarily, the railways file these competitive rates, and unless somebody complains about them there is no investigation of them. If somebody complains about them, or if our traffic department—Mr. Kirk is the supervisor of this—hears about a complaint; we also take a look at these tariffs as they come in. If anything looks suspicious, we ask the railways to submit the information—under section 334—on which they published this rate. I have one under investigation now and I have asked the railways to submit the information required under that section.

Mr. BROWNE (*Vancouver-Kingsway*): What percentage of the competitive rates would be envisaged in that? On what percentage of the rates would you call for information?

Mr. KNOWLES: It would be a very small percentage.

Mr. CHEVRIER: But if there was any complaint by anyone, you would examine it at once, would you not?

Mr. KNOWLES: At once, yes. We examine every complaint that we get.

Mr. FISHER: Since we are on this question of compensation, would you give us a definition of these out-of-pocket expenses, out-of-pocket costs, fixed costs, joint costs?

Mr. KNOWLES: I would hate to go into that because there are so many opinions as to what constitute out-of-pocket costs.

Mr. FISHER: I imagine we are going to get representations from trucking interests later on this point, and I would just like to start with a little information as to what you define as out-of-pocket expenses.

Mr. KNOWLES: I would rather produce somebody here who is a cost accountant, who could give you all those definitions. But I have had to use them myself as freight traffic manager in the Canadian National Railways on many rates. When a shipper came to me and asked for a very low rate, and I knew it did not fit into the normal picture, I used to ask our research department to tell me whether that was a remunerative rate or not. I had great difficulty in ascertaining what rate I should charge, because we have certain positive figures. We know the wages of a train hauling freight; we know what it costs for coal; we know what it costs for oil and that sort of thing. But when you get into the realm of comparing the cost of maintaining the track over which a freight train runs and over which a passenger train runs you get into the realm of arbitrary divisions regarding rates.

We had an investigation, as required by a parliamentary committee, of the cost of hauling coal from Alberta into Ontario and, based on the evidence, we obtained three different results. Different commissioners took a different view of it. One commissioner said the out-of-pocket cost is just the wages and the coal in running that train. The next one said, "You have to add something for the maintenance of the track and the equipment". The other one said, "You have to add overheads too".

It finally ended up by the board getting an expert from the Interstate Commerce Commission, who went into all the figures and said, "This board is not entitled to use cost figures of that kind in determining rates. You have to cover all your costs, and the normal rate just about covers the total distributed cost".

I have issued one or two decisions, in the last year or two where I have said that a rate should not be established unless it covers all fully distributed costs. The great difficulty is to find out what that cost is.

Mr. FISHER: This is a very contentious point, is it not, to competitors of the railway?

Mr. KNOWLES: That is right; it is very, very contentious, Mr. Fisher.

Mr. FISHER: Let us take a situation such as you have with agreed charges. Are most agreed charges supposed to be, or are they required to be, remunerative or compensatory?

Mr. KNOWLES: They were, under the original legislation; but they are not now since the act was changed in 1955. Practically the only thing we have to do with agreed charges is, they are filed with the board for information and the only time that we get into any question of the rates under the agreed charges is when some shipper complains that he ought to have the same rate, or a similar rate, somewhat a little higher or somewhat a little lower. Then we go into the whole story.

Mr. FISHER: There was a tremendous acceleration the last year or so in the number of agreed charges. Do you agree with that?

Mr. KNOWLES: Yes.

Mr. FISHER: Do you see this subsidy having any effect upon the rate of entry into those agreed charges?

Mr. KNOWLES: It might have a slight effect. With 7 per cent taken off the normal rate, it may not be necessary to make a contract rate under an agreed charge. I do not know, but I would say it would not make very much difference on the agreed charges.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, may I ask if there is any application in this legislation to agreed charges?

Mr. KNOWLES: No, it does not apply at all.

Mr. CHEVRIER: I was going to ask, if I might, something about horizontal increases. The judgment of 17 per cent applies uniformly and, therefore horizontally, to all class and commodity rates, with the exception of those which were mentioned by the minister in his statement. That, I presume—before I go further—includes as an exception coal and coke. That was increased by 22 cents a ton. Why is that?

Mr. KNOWLES: Well, the railways proposed that themselves, to limit the increase.

Mr. CHEVRIER: Yes, but why is the subsidy exclusive of the rate on coal and coke?

Mr. KNOWLES: As I understand it, partly it was a matter of government policy, because there are so many subventions on the freight rate for coke and coal and they did not think it was necessary to make any contribution in the way of a reduction on coke and coal.

Mr. CHEVRIER: I am not complaining about that; but may I come back now to the horizontal increases. The 17 per cent applies uniformly to all the class and commodity rates?

Mr. KNOWLES: To all normal class and commodity rates.

Mr. CHEVRIER: And the subsidy will apply equally to the same body of rates.

Mr. KNOWLES: That is right.

Mr. CHEVRIER: So that the horizontal and uniform increase, instead of being 17 per cent, will now, if this goes through, be 10 per cent?

Mr. KNOWLES: That is right.

Mr. CHEVRIER: Has the board done anything within the last few years to alleviate the impact of this horizontal and uniform rate increase?

Mr. KNOWLES: Yes. In one case we specified fixed amounts. It was one or two cents 100 pounds on some low-rate commodities, and we had no sooner done so than we had complaints about what we had done. Everybody was happy that we took these specific increases out of our order and applied the percentage increase.

Mr. CHEVRIER: So it is a pretty difficult thing to limit the application?

Mr. KNOWLES: Yes, it was an extremely difficult thing to do that. I will illustrate that by the fact that in the last freight rate increase in the United States the railways proposed increases ranging from 3 per cent, 5 per cent, 7 per cent, 10 per cent, or 2 cents 100 pounds, or 3 cents per 100 pounds, or 10 cents a ton. They are in such a mess now with discrimination that they do not know what to do about it. I would hate to see that started over here.

Mr. CHEVRIER: Mr. Knowles, can you tell the committee something about equalization and what the board has done in order to equalize rates from one end of the country to the other, and to what extent you have been successful in equalizing them?

Mr. KNOWLES: I have been in charge of that program. I recommended the equalization to the Turgeon commission and they adopted it, and I have been trying to put it into effect. That is what the government engaged me for, as advisor to the board to get that started; and later they appointed me a commissioner, very largely for the purpose of following that through.

I would say the work is about 75 per cent done. It has been an extremely difficult job and it has been delayed, first of all, because after you passed P.C. 1487 requiring such an investigation, but with the limitation on it, under

the Railway Act, that the rates equalized must be under similar circumstances and conditions, the western provinces did not submit any case to the board in connection with it. They waited until they got a royal commission, which finally recommended section 336, eliminating that phrase and enabling the board to wash out all miscellaneous differences between the regions.

The first thing I did was to spend two years making a new class rate scale as the basis for equalization. That required a new freight classification, and the railways were good enough to set a team to bring the classification up to date, and they had it ready by the time I got my new scale ready.

That has gone into effect since 1955, and I am not aware of any complaints today about that scheme at all. It was subject to several public hearings.

Mr. CHEVRIER: Public hearings and orders of the board?

Mr. KNOWLES: Oh, yes. Then the next thing was, we made a list of all the articles where there was a mileage scale in the west and a mileage scale in the east on the same mileage. We found there were 17 of them. I think we have come to a conclusion on about 13; four others still have to be dealt with.

Then we tackled what we call the specific rates, the point to point rates where you do not have a mileage scale. The origin is down the side and the destination across the top. It is a point to point rate. Cement is one example, and lumber, and building materials, such as brick and stone, and things of that kind. I think 14 out of the 17 mileage scales were completed and put into effect.

It gives everybody the same rate on the same article on the same distance. We have also had hearings on 76 scales, where there was a rate in the east and none in the west; or where there was a rate in the west but none in the east. A judgment on that is being prepared now. I do not think there is a great deal to do on equalization, with the exception, perhaps, of the big items of steel, paper and pulp. We have heard the submissions on the pulpwood. Then there is domestic grain. We have also dealt with that to a very large extent. But there is still one more scale to be prescribed in connection with that.

So I think I can safely say that the work on equalization is about 75 per cent completed.

Mr. CHEVRIER: Can you say what length of time it will require to complete the job?

Mr. KNOWLES: Well, I think you will remember that it was first put in the act in 1951. A special committee was dealing with it and Mr. Argue asked me how long it would take. I said it would take five years, and he said, "Cannot you do it in less time than that?" I said, "I do not think so, Mr. Argue. The class rates alone will take two years". They did take two years.

I have had to deal with eight or nine freight rate increase cases in the meantime, and it is simply impossible to work on that and on equalization at the same time.

Mr. CHEVRIER: How long did it take to equalize freight rates in the United States?

Mr. KNOWLES: They have only equalized their class rates, Mr. Chevrier, and it took them about 15 years to do that. They have not tackled their commodity rates at all. I think we are far ahead of them.

The CHAIRMAN: Gentlemen, we have just a bare quorum now and we have been sitting for two hours. Probably we should adjourn.

Mr. FISHER: Mr. Chairman, I want to ask a question on equalization. The board's ruling on December 2 said "From the foregoing excerpts it will be noted that there is considerable lack of enthusiasm, except in the province of Alberta, towards any further equalization of freight rates".

Mr. KNOWLES: Some of the advocates of equalization, which resulted in section 336, have found to their sorrow a lot of the western rates are lower than they are in the east, and they do not want them increased. Mr. Frawley of the province of Alberta has said many times, "I am not going to be accused of trying to eat my cake and have it too. If it means that Alberta has got to stand an increase on some commodities, the government of Alberta is willing to do that in the interests of getting equalization completely". Other provinces have not taken that attitude.

Mr. FISHER: Do you feel that that has had any effect in so far as most provinces are concerned?

Mr. KNOWLES: Yes. The western provinces were all for hurrying up the class rate structure, because it meant tremendous reductions in the class rates for western Canada. But there are quite a few commodities in the west that are actually lower than they are in the east.

Mr. BROWNE (*Vancouver-Kingsway*): If I might ask a question, Mr. Chairman. The passenger rates were not included in this equalization; why was that?

Mr. KNOWLES: The passenger rates were equalized four or five years ago by the elimination of the last high rate above four cents a mile for the standard mileage of the railways.

Mr. BROWNE (*Vancouver-Kingsway*): I understand the mountain differential in British Columbia was never reduced on passenger rates, but it was on freight.

Mr. KNOWLES: Oh, yes, it was. It is four cents a mile, the same as any other province.

Mr. BROWNE (*Vancouver-Kingsway*): There is no charge on British Columbia passenger traffic, then, for mountain differential; is that correct?

Mr. KNOWLES: No.

Mr. FISHER: Mr. Chairman, I should like to return to my request for each member having a copy of the freight classification. I look on this as being sort of a "Hees college" on freight rates.

Mr. HEES: Mr. Knowles' college.

The CHAIRMAN: I think you are looking after that, are you not, Mr. Scott?

Mr. G. A. SCOTT (*Department of Transport*): Yes; but I do not see how they can get the number of the classifications.

Mr. CHEVRIER: Why not explain to the committee what it is? Are there not hundreds of thousands?

Mr. SCOTT: Mr. Fisher has asked for, as I understand it, a copy of the classification, which merely lists all the several thousands of items which may move by the railways, and it assigns to each of these a class.

Mr. FISHER: One of the purposes of the request is an educational one. It is obvious that Mr. Drysdale and several more members of the committee have admitted—and I am certainly prepared to admit this—that they do not know very much about this. Therefore, any information we can get on this subject would be valuable. Our library downstairs has not got it.

Mr. HEES: We will get you all we can, as fast as we can.

Mr. DRYSDALE: One of the underlying implications of this \$20 million increase, I think, is the fact of the Crowsnest pass rate agreement. I realize that is perhaps a rather touchy subject, but I am interested as to what Mr. Knowles, as a commissioner, might have proposed, looking towards the overall railway picture.

In other words, does Mr. Knowles feel that the statutory Crowsnest pass agreement would be better taken out so that, in effect, the grain growers would have perhaps to see what cost they would be bearing to transport the grain; and then consider whether parliament should be applying a subsidy to them.

Mr. HEES: I think, Mr. Chairman, that is a question of government policy and it is not one on which it is fair to ask Mr. Knowles to give an opinion. He is here to give specific information on rates, and so on. The Crowsnest pass rates are a matter of government policy, and always have been.

Mr. FISHER: Has Mr. Knowles any idea on this. If the Crowsnest pass rates had not been in effect, grain rates would have come up comparably, perhaps, with other rates. Has Mr. Knowles any idea what additional revenues, each or both, of the railways would have obtained?

For example, the magazine "Saturday Night" made an estimate. They said that if the rates had gone up, the C.P.R. last year, in 1958, would have got some \$58 million.

Mr. CHEVRIER: I think that if the minister will tell us the royal commission will cover this matter, that probably will answer the question.

Mr. HEES: I will never trespass on the Prime Minister's prerogative, Mr. Chairman.

Mr. CHEVRIER: Oh, it is yours.

Mr. HEES: He will be announcing it.

Mr. CHEVRIER: When?

Mr. HEES: Soon.

Mr. CHEVRIER: Well, we have had that answer now for three weeks.

Mr. HEES: It is still just as good as it was in the first instance.

Mr. DRYSDALE: Could we get Mr. Knowles' comments, before he forgets, or before the minister forgets?

Mr. KNOWLES: My comment is, I do not think it is a question that I should answer, with all due respect to the committee.

Mr. DRYSDALE: As a commissioner, do you find that having the Crowsnest pass agreement and the maritime freight rates gives a fair rate structure across Canada?

Mr. KNOWLES: My trouble is this. I am a commissioner authorised to deal with the law as it stands today and as it is laid down for me. Other commissioners are required to do the same thing. I cannot express an opinion on a matter that might come up as a matter of controversy. I cannot express it here, because I would have to hear all the evidence and all the facts before I could even make a comment on it.

Mr. DRYSDALE: Has the minister any comments?

Mr. HEES: No.

Mr. FISHER: Is it true that one of the commissioners at least—Mr. Chase—has made a statement with regard to the statutory rates and has said it was time that parliament reappraised the whole thing?

Mr. KNOWLES: He did.

Mr. FISHER: When did he make that statement?

Mr. KNOWLES: In the same case.

Mr. FISHER: So that in effect commissioners have commented on the same situation?

Mr. KNOWLES: Well, I would not have followed Mr. Chase.

Mr. CHEVRIER: Mr. Chairman, may I follow that up perhaps with one question? In these applications, as well as in the subsidy, is it not a fact

that all of these exceptions that have been mentioned by the minister and are also mentioned in the application, including the Crowsnest pass rates have no application either in the judgment or in the subsidy?

Mr. KNOWLES: That is right. The railways themselves specified the exceptions that they want to make, and they know they must keep to them. They cannot come and apply to the Board of Transport Commissioners for a 10 per cent or a 20 per cent increase on the Crowsnest pass rates.

Mr. CHEVRIER: Perhaps you might ask the chief commissioner to clear it up for us. Or perhaps the minister might tell us what is going to be in the terms of reference of the royal commission. You have a request to state what the terms of reference of the royal commission are going to be as far as the Crowsnest pass rates are concerned.

Mr. HEES: That is something that will be announced by the Prime Minister when he announces the royal commission.

Mr. CHEVRIER: The same answer.

Mr. HEES: Yes, consistent.

Mr. FISHER: Mr. Knowles, is it a fair statement that in the United States, where they do not have anything parallel to the Crowsnest pass rate, grain rates on long hauls are much higher than they are in Canada?

Mr. KNOWLES: Not only with regard to long hauls, but with regard to short hauls too. They are two or three times as high as the Crowsnest pass rate.

Mr. FISHER: Let me get a particular case. At the present time lumber and plywood shipped out of British Columbia into the Ontario market, the 17 per cent increase does not apply because there are competitive American rates from Seattle?

Mr. KNOWLES: Yes; but do not overlook the fact that those American rates have taken a 112 per cent increase.

Mr. FISHER: But even so, they were so competitive that the 17 per cent could not go on. The point I am interested in is this. Is one of the reasons the Americans are able to keep the rates low on plywood being shipped east because they have what may be closer to a true income on their grain rates?

Mr. KNOWLES: I would agree with you on that; the American carriers in the northwest get so much money on grain that they can afford to publish lower rates on apples and lumber and a lot of other commodities.

Mr. FISHER: In other words, with the statutory grain rates that we have in Canada, it is possible that adjustments or changes in them could open up completely new competitive factors, in the other rates?

Mr. KNOWLES: You are asking me the same question in another form. I would not like to comment on government policy in retaining those rates in the rate structure.

Mr. SMALLWOOD: I should like some of these gentlemen to remember, with regard to the Crowsnest pass agreement, that the railways were given a great deal of land in the west.

Mr. FISHER: I would not like Mr. Smallwood or any of the other western members to understand that we are necessarily against the Crowsnest pass rates.

Mr. BELL (*Saint John-Albert*): It is a new C.C.F. policy.

Mr. DRYSDALE: I should like to exclude myself from C.C.F. policy, Mr. Bell.

Mr. CHEVRIER: May I come back to the bill again. It has been stated—this question is to the minister—that the effect of this bill is to decrease the

rates by 7 per cent approximately. In some cases you have stated that it may be less and in other cases it may be more, the aggregate amount being \$20 million.

Mr. HEES: That is right.

Mr. CHEVRIER: What objection would there be in providing in the bill for the reduction to be not less than 7 per cent?

Mr. HEES: Because, Mr. Chairman, the bill specifies that the total amount which the government is proposing to be spent is \$20 million. We are limited in the bill to the spending of \$20 million.

Mr. CHEVRIER: Well, you could spell that out, could you not, if you provided that it was to be not less than 7 per cent over and above the \$20 million? What harm would there be, Mr. Knowles, if over and above the aggregate subsidy of \$20 million you, as it were, guaranteed—let me use that phrase—the reduction to be not less than 7 per cent?

Mr. KNOWLES: The 7 per cent, Mr. Chevrier, uses up practically the whole subsidy, according to my calculations, based on the Canadian National and Canadian Pacific estimates of traffic for the year 1959.

If the traffic increases, then the \$20 million might be used up in ten months unless we reduce the amount, say to 6 per cent reduction. We may have to change it. On the other hand, if traffic slumps off, we could increase the reduction to maybe 8 or 9 per cent, depending on the amount of money we have left.

Mr. CHEVRIER: Then there would be no harm in saying "not less than 7 per cent"?

Mr. KNOWLES: If the minister wants to do that, but we may run out of money in 10 or 11 months instead of a year.

Mr. CHEVRIER: You cannot run out of money if the maximum is \$20 million.

Mr. KNOWLES: We will use up the \$20 million.

Mr. CHEVRIER: You cannot go beyond the \$20 million; it says so in the bill.

Mr. KNOWLES: But if you make a guaranteed 7 per cent reduction and your traffic increases, the traffic that is moving will get the 7 per cent reduction and at the end of the month, each month it will show we are getting to the point where we have used up the \$20 million. That is the trouble.

With the bridge subsidy we have to watch that like a cat watching a mouse to see we do not get over the \$7 million.

Mr. BELL (Saint John-Albert): Is there any precedent for this type of legislation in our history? Is there any precedent for this type of repayment?

Mr. KNOWLES: Yes; you have the bridge subsidy; you have the Maritime Freight Rates Act. They both require reductions in freight rates and the payment by the government of the balance.

Mr. FISHER: I would like to ask the minister how the figure of \$20 million is arrived at?

Mr. HEES: That was arrived at in a cabinet discussion, and my oath of office does not permit me to say what went on in the cabinet, Mr. Chairman.

Mr. FISHER: Let me put it this way. Was it felt that the 7 per cent reduction would take care of most of the major grievances?

Mr. HEES: It was felt that \$20 million was the amount that the government felt it could expend in this way, at this time.

Mr. CHEVRIER: Having regard to its budget which it brought down the other evening?

Mr. HEES: Always having regard to our budgetary position.

Mr. CHEVRIER: Mr. Chairman, may I follow up the question by Mr. Bell about precedents—and you have given a number of them, Mr. Knowles. Can this also not be considered a precedent, that from time to time in the past the board has, of its own volition and free will, under the statute, decreased the effect of certain increases?

For instance, in the 40 per cent place, which was applicable over a period of some time, the board reduced the effect of it to 25 per cent and then 17 per cent.

Mr. KNOWLES: Yes, the board acted of its own volition there to make reduction in the 40 per cent. In fact, in the order which was issued allowing the 40 per cent—which became effective September 13, 1920—it was stated that the 40 per cent must be reduced to 35 per cent on January 1. That gives the railways a little over three months at the 40 per cent for the purpose of recouping them for the fact that they had been waiting a long time for this increase. That was the only reason for the 5 per cent reduction.

But in 1921 the board saw that the railways were earning very substantial sums of money under the 35 per cent increase, and they altered it and reduced it to 25 per cent, and that reduction took effect.

Later on, in 1922, they ordered a $7\frac{1}{2}$ per cent reduction on basic commodities because there was not enough money in the surplus that the Canadian Pacific Railway had to make any reduction on other traffic.

Mr. FISHER: In connection with the bridge subsidy, it has been fixed at the same level ever since it was introduced?

Mr. KNOWLES: No, we have changed it twice.

Mr. FISHER: What was the change?

Mr. KNOWLES: Mr. Kirk has been following that right through, and if there is any question on the bridge subsidy, I think he could answer it quite readily.

Mr. FISHER: Could you just, perhaps, give us a sort of history of the bridge subsidy, the changes and how it has been applied?

Mr. KNOWLES: I could do it, but I think Mr. Kirk could do it better.

Mr. KIRK: Mr. Fisher, the bridge subsidy, as you know, starts with the premise that payment of the maximum \$7 million, for the actual amount of the cost of maintaining—

Mr. FISHER: I am sorry, I cannot hear your answer.

Mr. KIRK: The bridge subsidy starts with the premise that payment is made to a maximum of \$7 million for the cost of maintaining the trackage between Sudbury and Fort William, which is $551\frac{1}{2}$ miles, and an equivalent amount of mileage of the Canadian National in the same area.

That money which is designated to be paid has been used in each year, because the actual cost of maintaining the trackage has been in excess of \$7 million. So there was, in effect, a fund of \$7 million.

We started to take that money away from the railways to make a freight rate reduction by a compromise basis that took half of a reduction in the terms of a percentage and half on a fixed charge per 100 pounds, or a ton. We started on May 1, 1952—and I have to quote these two factors, because I cannot keep it straight otherwise. The percentage reduction was 2.53 per cent and the factor on weight was 5.8 cents per 100 pounds. That is all worked out on a master tariff, again, and those come together, and this kind of a tariff comes out of it. You take the rate in the tariff as it stands, and this gives the other rate.

Now, as time went on we found our first calculation was wrong, and one year later—on May 1, 1953—we made the percentage reduction 3.5 per cent and the weight factor 9.5 cents per 100 pounds. Then in November, 1955, we realized that there was going to be some surplus left out of this \$7 million that the railways were getting, and we made a temporary reduction by increasing the 9.5 cents to 16.5 cents.

And that applied roughly for four months. Then we adjusted it back on March 1, 1956, to the same basis as 1953. Then again, in 1957 we found—I might say, as in this particular case—that when you have a freight rate increase, you should reduce the freight subsidy because you only have \$7 million. So we had to do that.

Mr. FISHER: Will you please explain that again?

Mr. KIRK: We have a percentage factor which relates to the freight revenue. We have a factor which relates to the weight. If the freight rates are increased, then the revenue will increase. Consequently, we have to look at the percentage factor to see whether or not it should be changed. But there are certain tolerances between these factors which enable us to do it a little easier. So we changed the weight factor from 9.5¢ to 7.5¢, at March 1, 1957.

Now we come to the year 1958 where traffic had gone down, and we have some money left, or we would have. So, on March 1 of this year we changed the weight factor to 10.5¢, and we anticipate that will use up \$7 million for the coming year.

Mr. FISHER: What effect is there going to be on the subsidy from the application of it, as a result of this particular cut?

Mr. KIRK: It might tend to give us a little more money and perhaps enable us to increase the reduction. It is hard to say at the moment.

Mr. FISHER: When I said the figure had been constant, you have had \$7 million each year with which to operate and in each year the cost to the railways of the maintenance of this practice has been more than \$7 million.

Mr. KIRK: Yes, substantially more.

Mr. FISHER: Is it fair to ask if there has been any reduction in the maintenance cost in the last few years?

Mr. KIRK: I can give you the composite figures for both companies or I can give them to you separately.

Mr. FISHER: I do not want to take up the time of the committee, but if I know I can have them, it is all right.

Mr. KIRK: We can give them to you. We do not have the figures yet for this year, but we expect to have them very soon.

Mr. FISHER: Has there been any feeling or any consideration on the part of the board that this maximum of \$7 million should have had some kind of escalator clause to go up higher or even to go down lower?

Mr. KIRK: I do not think that the board would take any position as to whether the amount should be larger or smaller. What we did try to secure was some leeway from the absolute maximum. In other words, if our calculations did not work out exactly correctly, and we put the railways to the expense of reducing the rate for which they would not be compensated—it might be in the order of one quarter of a million dollars or one half million dollars; we did think we might get some authority to put that through on the estimates at the end of the year. But we did not succeed. The figure has remained at the maximum, and we are trying our best to expend it.

Mr. FISHER: Is it the general feeling on the part of the board that the freight subsidy has worked satisfactorily?

Mr. KIRK: We are making it work.

Mr. FISHER: I mean in its effect? Has it tended to do what it was supposed to do?

Mr. KIRK: We think so.

Mr. FISHER: You would say that it is a vital part of the freight rate structure?

Mr. KIRK: I think so. It has achieved the purpose already of reducing the cost of hauling traffic across the so-called bridge. Of course, it was not put into effect without a great deal of difficulty, but we think we are making it work. It might interest you to know—although I cannot give you the complete current figures—that for the fiscal year ending 1958 the reduction averaged about 6½ per cent in freight revenue.

Mr. CREAGHAN: Does \$7 million go to each company?

Mr. KIRK: No, it is a total of \$7.

Mr. CREAGHAN: Which company gets the larger share?

Mr. KIRK: It depends on who handles the traffic. We pay or reimburse them on the amount of traffic carried.

Mr. CREAGHAN: The actual maintenance has nothing to do with it?

Mr. KIRK: Only to measure the amount of money available to make the reduction work.

Mr. FISHER: How does that subsidy get back to the shipper?

Mr. KIRK: Because the tariffs have been so arranged that when a shipment is made and a billing is made, the reduction is made immediately. The company is the one who is out the money for at least two months. We reimburse the company for the loss of revenue.

Mr. CREAGHAN: Is there the same type of reimbursement as contemplated in bill C-38?

Mr. KIRK: I have had little to do with this particular aspect, but I think it would have to follow somewhat the same procedure. However, I do not think it has been worked out yet.

Mr. CREAGHAN: You more or less approve the bill, do you not?

Mr. KIRK: We receive the bill from each railway, and we check it. If it is correct, we pass it on forth payment, and it is paid directly to the railway.

Mr. FISHER: Has the freight subsidy ever been a contentious issue in any of the hearings that the board has held?

Mr. KIRK: I would not think so in the sense of contentious. It was involved in a case dealing with rates on lumber from the Pacific coast, and it was withdrawn from that traffic.

Mr. FISHER: It would be involved in any question of this rail rate differential, would it not?

Mr. KIRK: It is not paid in any way to the steamship lines. The steamship lines absorb the same amount of subsidy that the railways receive in compensation per unit of traffic, of course, but the steamship company advances the amount itself.

Mr. FISHER: There is a statement in one of the board's hearings that the first year the subsidy was introduced, Canada steamship lines lost \$500,000. Do you remember that?

Mr. KIRK: Yes, I do.

Mr. FISHER: Was a check made to guarantee or to substantiate that this loss was effective? Did you have an opportunity to look at the books of the Canada steamship lines?

Mr. KIRK: No, I do not think we did. But we did make a simple check, and we were satisfied that it was not overstated.

Mr. FISHER: Have you followed the effect of this subsidy on Canada steamship lines in the years since?

Mr. KIRK: No.

Mr. CHEVRIER: Have you been asked to by the steamship lines?

Mr. KIRK: Not recently.

Mr. FISHER: The introduction of the bridge subsidy must have given you extra administration costs. Have you any idea of them? Thinking in terms of this legislation, it will undoubtedly cost you money in the way of administration?

Mr. KIRK: The bridge subsidy has not cost the government any money in administration.

Mr. FISHER: What will the result be so far as the board is concerned in connection with this proposed subsidy?

Mr. KIRK: I cannot say at the moment. I do not know what the procedure will have to be. It may be that we will have to augment our staff, but I am not sure.

Mr. DRYSDALE: Do you think that the bridge subsidy will result in a percentage of reduction in that method? From what I have read there is a combined method, and these two methods are not analogous.

Mr. KIRK: No. I think the bridge subsidy basis was a compromise. The western provinces are divided more or less into two camps. Manitoba, western Ontario west of Port Arthur, and part of Saskatchewan would obtain the greater benefit if the bridge subsidy was placed on a factor of weight alone; it may be per one hundred pounds; and if you divide \$7 million into the anticipated traffic, you can say that every ton going across the bridge will get so much reduction. But the more eastern of the western provinces would probably get a greater benefit than the western ones.

Alberta, western Saskatchewan, and British Columbia would get a greater benefit by taking a percentage of revenue, because the rate is greater and the distance is greater.

It was rather difficult to reconcile those two views. So we split the baby in the middle, like King Solomon did, but it has added to our work. It is quite a difficult thing to compute it, but it has been worked out.

Mr. FISHER: The western provinces or their representatives have been before the board a number of times in recent years. Have they ever brought out any suggestion in connection with the bridge subsidy that you know of?

Mr. KIRK: I think there were some representations made but I cannot recall them. Perhaps they were made by the British Columbia tree fruits. I think the contention there was on a different basis entirely, not as to the method we were using, but that there should be a sort of bridge subsidy in a reverse way.

Mr. BROWNE (*Vancouver-Kingsway*): Does this apply both ways?

Mr. KIRK: The bridge itself is both east to west and vice versa. They want another bridge in the west.

Mr. CHEVRIER: It came about because of representations which were made to the royal commission on transportation. Was it not one of those recommendations which were made by the Turgeon Royal Commission?

Mr. KIRK: That is right.

Mr. CHEVRIER: Representations were made by various groups in western Canada.

Mr. KIRK: About the so called bridge. That was my understanding.

Mr. FISHER: Back in the Turgeon report, in the opinion of Dr. Angus, there was a certain statement made with regard to the position of railway workers. It is to be found at the back of the book. It had to do with the railway workers and their wage position. Since then I gather that the board has made certain rulings, or advanced certain opinions, trying to relate the wages of the railway workers to the wages of the workers in the durable goods field.

Mr. KNOWLES: Not this board, but various conciliation boards have done it.

Mr. FISHER: I think this would be welcome at a later stage when we get certain briefs presented. We can leave it for the present. Perhaps the minister would be prepared to express some views as to how railway wage negotiations came into this picture, and the question of a subsidy.

Mr. HEES: I am not saying that railway wages do come into the picture. There was a freight rate ruling, and there was an award which was brought down by the Board of Transport Commissioners. It was appealed by eight provinces. We dealt with the appeal and we said we would take steps to alleviate the burden. The purpose of this bill is to do just that.

Mr. FISHER: Are you saying that anything which has to do with railway wages is irrelevant?

Mr. HEES: I am not saying anything at all. I am simply saying that we are dealing with this bill which is to assist the burden borne by consumers across Canada who pay the increased freight rates. That is what we are dealing with.

Mr. FISHER: Might I carry that a step further in saying that the Board of Transport Commissioners had a hearing in connection with this application of November 19, 1958, which was brought about, was it not, by an increase in wages?

Mr. HEES: Yes.

Mr. FISHER: Following the judgement of a conciliation board; and what the board did was simply to put into effect in its judgement the amount of money required by the railways to implement the judgment of the conciliation board.

Mr. HEES: That is right.

Mr. CHEVRIER: That is why I asked this question in the house: is this subsidy associated in any way with the wage increase?

Mr. HEES: The hon. member has already said that it is.

Mr. CHEVRIER: Yes; but I am asking you.

Mr. HEES: I would think it was obvious to everybody.

Mr. CHEVRIER: That it is?

Mr. HEES: Well, yes.

Mr. FISHER: Mr. Chevrier has already suggested some of the things that should be in the terms of reference of the royal commission, and I humbly suggest that this might be one.

Mr. HEES: All suggestions will be given very serious consideration, Mr. Chairman.

Mr. SMALLWOOD: Mr. Chairman, it seems that from time to time the railroad comes before the commission asking for freight increases, and at no time have they suggested that decreases should become effective. All the big business is carried on on volume and less profit. It does seem that the railroad will not even consider that.

In our town we have a line and all the merchandise is coming in by trucks. The train is running through that town, and the station agent contacted all the merchants regarding freight haul. They said that the railway could not compete with trucks. But the railway would not consider this at all.

Therefore, I travelled in a freight car, and in one car there were two men, one piece of pipe and some eggs. We had the car, we had the men, and that train could have been bringing in revenue of \$100 a month. That one line is considered as being competition. Now we have cars being hauled by truck. If the railways would consider becoming competitive, we would not have so much trouble with these freight rate increases.

Mr. HEES: I think that is something that could more properly be brought up when the affairs of the Canadian National Railways come before the house, because that is a matter of railway policy and not board policy.

Mr. MACINNIS: Mr. Chairman, getting back to the wage increase—this increase was not entirely due to wages, but was partly over-all picture.

Mr. HEES: That is right.

Mr. DRYSDALE: Mr. Chairman, I wonder if I could get back to a slightly different point. According to this particular bill there is \$20 million over one year on the items that had the 17 per cent and will permit a reduction of 7 per cent.

I wonder if Mr. Knowles or anybody has made any calculation as to what it would be, say, on the items, that had only 16, 15, or 14 per cent, or has there been any similar calculation on perhaps the remaining group? In other words, to have a 7 per cent reduction on the items less than 17 per cent, how many dollars would be required—would it be \$40 million, \$50 million, \$100 million? I just want to try and put it roughly in respect of the \$20 million.

Mr. KNOWLES: As I said before, I do not think the railways advanced their rates in that manner. They take the full 17 per cent, or they do not take it at all, or they put in the 17 per cent first, and if they find it is too high, they put the rate in a competitive tariff.

So far as we are concerned, under this bill that rate just disappears and we make no calculations to that effect. I might say that when you gentlemen start figuring these percentages, there is a factor in here that I should mention so that you will not be confused. Of the \$348.3 million the railways estimated, in the last case, that they would not get the full 19 per cent that they asked for, because any increase in freight rates drives a certain amount of traffic away.

The C.P.R. figures that they would have 22 per cent of their traffic disappear, and the C.N.R. figures 20 per cent—or vice versa; I do not know which. But those are the two figures for the two roads. So that if you multiply the 19 per cent by the amount of traffic in these reports, it does not come to the amount that the railways expected to get. There is that factor in it.

With a smaller increase of 10 per cent instead of 17 per cent, I took the figure of 19 per cent, which reduces the amount of traffic on which the reduction will apply to \$282,100,000. That is the figure to which 56 and 26 and 16 per cent should be applied. That takes care of the factor that you are concerned about as traffic. Where they put something on, your traffic disappears, so they do not put an increase on it. That is the factor which the railways have allowed, up to 22 per cent. I took 19 per cent.

Mr. CREAGHAN: Are there two purposes behind that, one to give aid to the shipper of 7 per cent, and it might be implied that the other purpose is that the railways might salvage some of the business they might be losing to competitive industry?

Mr. KNOWLES: It would have both those effects, I think; but the shipper gets the reduction. That is the main point of this \$20 million. It goes directly into the shipper's pocket, because the rate is reduced when he makes his shipment.

Mr. CREAGHAN: The railway gets the business in the first place?

Mr. KNOWLES: Oh, yes.

Mr. DRYSDALE: With regard to these various small railways you have mentioned, are any of them connecting with the American railways?

Mr. KNOWLES: Five of them are; but they operate locally within Canada also.

Mr. DRYSDALE: But would the subsidy apply on through traffic into the United States as well?

Mr. KNOWLES: No, it does not.

Mr. DRYSDALE: It is restricted to the Canadian traffic?

Mr. KNOWLES: Advances and reductions in the United States—on what we call the international rates—are on a different basis altogether from the Canadian increases within Canada.

Mr. FISHER: Even if you wanted to, could you make them apply?

Mr. KNOWLES: Could we make the reduction apply? Well, I suppose we could do anything by an act of parliament. But there is no necessity for it. The rates are considerably lower on the international traffic. The increase on the international traffic has been considerably lower than the increase within Canada. That is on this normal traffic. It is only 112 per cent in the United States; it is now 157 per cent in Canada.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. BELL (Saint John-Albert): I move that we adjourn.

The CHAIRMAN: Would it be agreeable to start on the brief this afternoon at 3.30, in room 253D, the railway committee room?

Mr. CHEVRIER: Who is the first witness?

The CHAIRMAN: Mr. McGee, from the Canadian Trucking Associations.

Mr. HEES: Might I say, Mr. Chairman, that I have to see a delegation between 3.30 and 4 o'clock this afternoon. The delegation is from the Gaspe peninsula, and the meeting is on important matters. I cannot be here until 4 o'clock. It is no discourtesy to the committee, but I am afraid I must be there. I will be at the committee at 4 o'clock sharp.

Mr. CHEVRIER: That is another reason why we should not sit while the house is sitting.

Mr. HEES: That business must go on.

—Luncheon adjournment.

AFTERNOON SESSION

TUESDAY, April 14, 1959.
3:30 p.m.

The CHAIRMAN: Gentlemen, I see we have a quorum. I think the first thing we will deal with is a question which was raised by Mr. Fisher in regard to the procedure of calling witnesses.

I consulted with the Speaker of the House and with the Clerk and this is their report. To begin with the decision is made by the committee. Witnesses are summoned by an order signed by the chairman; no witness shall be so summoned and paid unless the certificate shall have been first filed with the chairman by a member of the committee, according to the standing order.

This morning we had a motion by Mr. Fisher in this regard. What is the feeling of the committee? I will read the motion.

Moved by Mr. Fisher and seconded by Mr. Howard that Mr. H. Styffe and Mr. E. G. Charnock, Port Arthur and Fort William be called before this committee and that their travel and other expenses be paid.

Mr. CHEVRIER: Mr. Chairman, may I say a word on the motion?

When the motion was made this morning I did not know who the members or the witnesses were to be called. I have since met one—one that I know—and who has made representations to me before, not in committee but to me personally when I was in the capacity that the Hon. Minister of Transport now occupies, and I have some idea of what the representations are going to be. It would seem unfortunate to me if the motion is not adopted, in so far as he is concerned.

Mr. BELL (Saint John-Albert): I did not have a chance to spend much time on the actual rule applying to this but I did look up section 263 and it says, "material witnesses shall be summoned".

I do not think there has been a meeting of this committee whereby it was agreed that these witnesses should be summoned in this particular instance and I feel they have not even begun to qualify to enable them to submit a claim for expenses. The clause we have not decided on as a committee is, that these particular witnesses are necessary, material or expert and that they should be called. I do not think the point has been raised of deciding whether or not the witnesses should be paid.

As I said this morning, if we begin this procedure, which is distinctly a new one, while these gentlemen are very knowledgeable and may speak about very special business interest, I can see where every section of this country, within provinces—true, there are always disagreements within provinces—is going to put forth the considerations of those areas or regions. I do not see how this can be entertained.

Mr. MCPHILLIPS: I agree. I think we would get into a terrible state if every member simply wanted this person or that person summoned. I may be wrong, but I do think that this is a result of the railway rates case and that we do not need any expert testimony on that. Arrangements were made for the witnesses who are appearing here. Surely we do not need expert witnesses on freight rates.

Mr. CHEVRIER: Why did you not move this morning for the exclusion of witnesses?

Mr. BADANAI: It stems from the factor that northwestern Ontario is completely isolated due to the province of Ontario failing to oppose the increase in freight rates. Therefore we are in a special category and should be considered.

The gentleman who will be appearing here tomorrow morning is an expert in the matter of freight rates.

The CHAIRMAN: It is not a question of whether or not we will hear your witness, it is a question of whether or not his expenses will be paid.

Mr. BADANAI: It would seem only fair that we do pay them.

The CHAIRMAN: Gentlemen, we have a motion before us. Those in favour of this motion by Mr. Fisher, so signify.

Motion negated.

The CHAIRMAN: We have a brief here by Mr. W. A. Wallace, the general manager of—

Mr. CHEVRIER: Mr. Chairman, may I ask Mr. Knowles one or two questions? I would like to try to clear up a few points.

Mr. BELL (*Saint John-Albert*): I do not object to that but I do feel that Mr. McPhillips has made a very good point. Obviously this is important and undoubtedly it is very interesting and I am wondering whether we should not hear these briefs of the various trucking associations now and then recall Mr. Knowles. Perhaps it is only my personal thought, but I can see where Mr. Knowles would have the stand most of the afternoon. We could then get the briefs in and for those of us who do not understand the freight rates, we would have to recall Mr. Knowles. That is my objection. I am not speaking on it but it would seem to be a more reasonable approach.

Mr. CHEVRIER: It does not mean that Mr. Knowles would have to be here all afternoon because I was only going to ask two or three questions.

Mr. BROWNE (*Vancouver-Kingsway*): The question arose because each member might want to ask two or three more questions.

Mr. CHEVRIER: If they wish why should they not be allowed to ask even five or ten questions? Let us get this straight.

The CHAIRMAN: We are still on the first item.

Mr. CHEVRIER: That is the point. If we are not going to be able to ask questions, let me know. I have a lot to do and would be able to do it.

Mr. BELL (*Saint John-Albert*): You are the one who started to object.

Mr. CHEVRIER: Certainly, but my objection was to the committee meeting while the house is in session. However, now that we are meeting I would like to proceed and ask my question; I would like an explanation.

Mr. FISHER: It seems to me to be going beyond the scope and I am a little disturbed. I understood from the minister's statement in the house that the purpose of this committee was to give us an opportunity to go in detail into the matter of freight rates. This is not a hearing of the board of transport commissioners, it is the railways committee. It is an investigation to determine how the question of subsidies will affect the rail freight rate structure. If we are going to have Mr. McPhillips' interpretation of this, it can be automatically checked. I will be very disappointed if that is the aim of the committee. I would like a statement from the minister as to how far he thinks we are entitled to go into this particular thing.

I certainly agree with Mr. McPhillips' point of view because we do feel very strong about it.

Mr. HEES: As far as I am concerned any member who wishes to ask any questions is perfectly entitled to do so.

Mr. CHEVRIER: May I go ahead then? Mr. Knowles, this morning you were good enough to give us a breakdown of percentages in so far as the application of the subsidy is concerned to the western, central and maritime regions. I was particularly interested in the provinces of Ontario and Quebec—that is the

central region—which you said is 26.5 per cent to be applied on a total class rate and the Canadian percentage commodity was \$348 million. I work that out to be \$5,300,000.

What I would like to ask you is this: I would like to know where the incidence of this benefit is going to be. You told me this morning that you were going to have these blocks brought down at a later date, but I understand it is from the waybill analysis of the board of transport commissioners. That is, additional information in so far as the incidence of this 26.5 per cent to the central region is concerned. I would appreciate it if you could give this to me.

Mr. KNOWLES: First of all, Mr. Chevrier, I would like to correct the total figures. You quoted \$348 million and just before the noon recess I corrected that to \$282.1 million because of the 19 per cent attribution which came about because of these increases. I want to get this corrected.

Mr. CHEVRIER: I see, the 348 now reads 282?

Mr. KNOWLES: It reads \$282.1 million.

Mr. CHEVRIER: Thank you.

Mr. KNOWLES: I think if you apply the percentages I have given you, that you will get a correct figure of the distribution of the subsidy.

You asked me if there was any calculation which I could give you—I think you said in 10 or 20 mile blocks.

Mr. CHEVRIER: Could I put that again? That is what I said this morning, but could I amend my question and put it this way; is there not some evidence arising out of waybill analysis of the board of transport commissioners which would indicate the number of cars, dollars of revenue, the movement of traffic, non-competitive commodity rates and class rates within the province of Ontario, for the year 1957?

Mr. KNOWLES: Yes. I understand that Mr. Frawley of the province of Alberta requested that such a statement be compiled. I was unaware of that when I gave my evidence this morning, but I have a copy of the basic statement from which that information for Mr. Frawley was compiled. I would be glad to hand you a copy of it, Mr. Chevrier, and you can have that segregated any way you like. It shows shipments from each province to every other provinces of every article of class rate traffic.

Mr. CHEVRIER: Thank you. Could I go a step further and ask you to look at this statement which covers class rates and non-competitive commodity rates for Ontario on the basis of the number of cars, dollars of revenue and average haul? I wonder if you could tell me whether that statement is an accurate statement, arising out of waybill analysis made by the board of transport commissioners?

Mr. KNOWLES: I would not know without making a detailed check of this statement and without the basic material in hand. I know it would take me some hours to do it. If Mr. Frawley prepared this information for you, I have no doubt it is correct.

Mr. CHEVRIER: Would you be good enough to do that for a subsequent meeting?

Mr. KNOWLES: I will make an attempt to do it, sir.

Mr. CHEVRIER: May I go a step further and ask another question? Could I have a similar statement to the one you have there, indicating the movement from Quebec to Ontario and from Ontario to Quebec, and within the province of Quebec covering, as it is stated there, the number of cars, the dollars of revenue and the average haul for each category of movement?

Mr. KNOWLES: I do not know what labour is involved in compiling this information, Mr. Chevrier. I can certainly do it for you with that basic information, if you will pass the statement back to me so I can take it to the office.

Mr. CHEVRIER: I do not want you to do it now but you could do this before the end of the hearing?

Mr. KNOWLES: I will try to do that.

Mr. BELL (*Saint John-Albert*): I understand Mr. Knowles has been requested to make a further investigation in view of certain evidence that is available from Mr. Frawley in regard to Ontario and Quebec. I wonder if it would not be in order to suggest that all areas in the three regions, be considered in this regard? The reason for my saying that, Mr. Chairman, is, I am afraid there may be an incorrect impression given as to the ultimate effect of this in the eastern and western regions, and I think we should have the whole story.

Mr. CHEVRIER: I would be perfectly happy with that; I would be delighted if that information is brought forward.

Mr. BELL (*Saint John-Albert*): I do not wish to ask Mr. Knowles to do a lot of extra work, but I think something should be done for the other regions, if you are doing it for the central region.

Mr. KNOWLES: From that statement it seems to me that it could be re-compiled province by province. However, it takes a lot of detailed work to do these things and I do not think I can guarantee to have it done before this committee is through its meetings. There is a tremendous amount of work involved which I do not think people realize.

Mr. CHEVRIER: I understand, Mr. Knowles, that much of this is done already and the information which you have in your hand has been passed by the economics and statistics branch of the board?

Mr. KNOWLES: In so far as I know, that is the only information the board has as to the basic figures on the point. What is done with them afterward is that the provinces usually pick out their own shipments and do the compilation themselves. Evidently somebody has been interested in the province of Ontario and has taken out those figures. We have ten provinces—and ten times ten makes 100 calculations. While I do not want to dodge anything, Mr. Chevrier, there is a tremendous amount of work involved in the request made by you and other members. However, I will try to get it done.

Mr. CHEVRIER: I would very much like to have the information; I think it is very material for this committee.

Mr. HEES: Might I suggest, as Mr. Knowles has said, it will take some considerable time. I know Mr. Knowles will get this information as early as he can, but it is quite understandable that it may not be available before the committee concludes its hearings. I do feel certain that the hon. members who requested the information will agree that if Mr. Knowles does his best, then that is reasonable.

Mr. CHEVRIER: I do not think anybody can complain, if he does the best he can.

Mr. FISHER: Possibly this was answered before, but I want to understand clause 7 of the bill. The Maritime Freight Rates Act allows a 30 per cent subsidy on goods coming in and a 20 per cent subsidy on goods going out of the maritimes.

Mr. KNOWLES: That is 30 per cent going out. Going in they pay the normal rate—the same as anybody else.

Mr. FISHER: And internally?

Mr. KNOWLES: Internally it is 20 per cent.

Mr. FISHER: How is this subsidy going to apply? Possibly that was answered this morning and I did not hear it. Will this 16 per cent, or what-

ever the percentage is of the traffic that comes under the maritimes act, take full advantage of this decrease, or will it affect the subsidies already in existence, and make them apply at all?

Mr. KNOWLES: No, there is no disability about it. The maritime traffic within the 20 per cent reduction requirements in the maritimes, is already on file with the board. They are net rates on traffic going from the maritimes to points west of Levis. The traffic is already on file with 30 per cent as far as to west of Levis. Those are net rates, after taking off subsidy. They have been advanced to 17 per cent and we are simply letting them go back to 10 per cent.

The CHAIRMAN: Are there any further questions? If not, as I indicated earlier, there has been distributed to you a brief by Mr. Wallace, general manager of the Canadian Transport Traffic Bureau. Mr. Wallace will not appear but we ask that this brief be printed as part of the minutes, as an appendix to the minutes of today's proceedings. Is that agreed?

Some Hon. MEMBERS: Agreed.

(See Appendix A).

Mr. DRYSDALE: Mr. Chairman, there will be no opportunity to ask any questions in regard to this brief?

The CHAIRMAN: No.

We have Mr. Magee, the executive secretary of the Canadian Trucking Associations, who will present their brief to us. Do you all have copies of this brief?

Some Hon. MEMBERS: No.

The CHAIRMAN: All right, gentlemen, Mr. Magee will present this brief.

Mr. JOHN MAGEE (*Executive Secretary of the Canadian Trucking Associations*): Mr. Chairman, Mr. Minister and hon. members of the committee, I would like to say that the Canadian Trucking Associations appreciates very much the privilege of appearing before your committee to express their views on the bill. I should explain that our association is a federation of all the provincial trucking associations in Canada, whose names are listed in the brief and on whose behalf we appear unanimously today.

1. Railway subsidization and the freight rate freeze.

The role of the trucking industry as a major competitor of the railways is recognized in two federal statutes, the Railway Act and the Transport Act.

The Railway Act, and the regulations made thereunder by the board of transport commissioners, gives the railways freedom to institute competitive—lower-than-normal—rates the instant truck competition asserts itself. The railways, if they desire, can quote competitive rates to a shipper on the telephone if the exigencies of competition require it. As long as they do not go above the permissive rate ceiling as set in the latest freight rate increase, the railways may vary their competitive rates up and down at will. They may be required to answer to the board of transport commissioners in regard to circumstances of the competition; competitive rates may not be lower than necessary to meet the competition nor must they adversely affect the net revenue of the railways. In practice, the railways are seldom required to make formal submissions to the transport board justifying competitive rates. Seldom, if ever, has a railway competitive rate been varied or cancelled by the transport board on the grounds that it was lower than necessary to meet the competition. The board has consistently held that railway competitive rates are compensatory. As long as the railways stay within the permissive rate ceiling, they are free to use their discretion in competitive rate making.

In the Railway Act, parliament says, in effect, that the trucking industry is a competitor of the railways.

The same situation exists in the Transport Act under which the agreed charges come. Agreed charge rates are actually a type of competitive rate. But whereas a shipper, in considering a railway competitive rate, can take it or leave it, as he chooses, the lower rates in the agreed charge can only be secured in a contract binding the shipper to use rail exclusively for most or all of the movement of the freight traffic for which the agreed charge is made. The transport board has held that railway agreed charge rates are compensatory.

The railways have complete freedom in making agreed charge contracts to meet truck competition. The information which we will place before you in this submission will demonstrate the extent in the past decade of the railways' use of their competitive rate-making powers.

In the Transport Act, parliament says, in effect, that the trucking industry is a competitor of the railroads.

After the birth of the trucking industry in the 1920's, the railway, for a long period, reacted defensively to the new competition. They concerned themselves chiefly with a regulatory program which would have "solved" the problem of truck competition by restricting it. Claims that truck competition was "unfair" were recited ad infinitum: the truckers were pickers and choosers of freight, taking the cream of the traffic, while the railways had to haul any freight offered for movement—these and other contentions were advanced in support of the claim of "unfair".

But as all forms of transport developed, as trucks competed in service and rates in an ever-widening range of traffic, the railways, to their credit, began to throw off the defensive approach. Their cries for regulatory restriction of trucking became sporadic and faint and finally, around the early 1950's, died out completely. By this time both major railways were competing against themselves in the airline and trucking businesses, having become operators in the two newer forms of transport; the trans Canada highway was proceeding to completion; and a mighty St. Lawrence seaway was approaching reality. It was clearly the will of the Canadian people that their transportation system be competitive and that the disastrous experiences of other countries in attempting to "plan" transport agencies into various suspected economic niches would not be repeated in this country.

So completely had the railways' viewpoint towards truck competition been transformed by the inexorable pressure of events that the policies on transport regulation which they successfully advocated to the Turgeon royal commission on agreed charges in 1954 were unrecognizable as compared to regulatory policies which they advocated prior to, and during, World War II. Submitting the views of the Canadian National Railways regarding truck competition, Mr. Hugh O'Donnell, Q.C., made the following statement to the Standing Committee on Railways, Canals and Telegraph Lines on June 28, 1955:

Competition is the regulator. The railways take the position here in Canada that competition should be the regulator. They say that where there is competition then the competition is free and equal and that that should determine the issue and the shipper will decide the medium which he wishes to use. The public will get the benefit of the lower rate that is provided by the competitor...

On behalf of the Canadian Pacific Railway, Mr. John L. O'Brien, Q.C., made the following statement to this Standing Committee on June 28, 1955:

The public, in my respectful submission, is entitled to the cheapest transportation available, and it should have the right to bargain for it just like a customer of any other industry has the right to bargain, and that one industry or another may be hurt in the process is the result of the normal process of competition.

The truckers were able to make a better bargain with the shippers than the railways, and they took some business away from the railways. The railways now, by the Transport Act in 1938, and by a certain relaxation of the regulations in the present bill, are being given only one thing, and that is the right to go out and bargain with the shipper. The trucker has the same right to go in and bargain in competition with them, and if the railways cannot give a bargain which the shipper is ready to accept, they are not going to get the business.

And if the railways have a better product or a better price, then they are going to get the business, just as any other industry does; and if they have not either they are not going to get it."

The provincial governments—all ten of them—are strongly impressed with the salutary effect of truck competition upon the level of railway rates. Eight of them, when they were before the governor in council on the freight rate appeal last November, appeared to want to have their cake and eat it too. They want strong truck competition with the railroads, maintaining their built-in resistance to railway rate increases. On top of that they wanted subsidy too—a general rail subsidy wiping out the 17 per cent rate increase, at a cost to the taxpayers of around \$60,000. But truck competition with the railroads cannot be strong if the industry itself is not financially strong, able to take care of itself in meeting all operating costs—the largest single cost being wages—and in a position to raise the capital required for equipment and terminal expansion. These are simple economic facts of life with which we in the trucking industry must contend. No impatient waving aside of these economic facts of life can dispel them—not as long as we operate under the free enterprise system in this country.

From the statutes that parliament has passed in respect to railway competitive rate-making, from the position taken by the railways themselves, it is clear that trucking is acknowledged as an actual competitor of the railways for a wide range of freight traffic and a potential competitor for the remainder of the traffic. It follows that anything parliament does in respect to railway freight rates could have either immediate or potential consequences for the trucking industry. Unless the impact of the measure was carefully weighed, considerable, and perhaps very serious, damage could be done to trucking firms, particularly those on long hauls, all across Canada.

For example, in freezing railway freight rates pending the report of the royal commission transport inquiry, the government singled out the pricing system of one segment of the economy—overland freight transportation. Its price control has been invoked on the price for service rendered but surprisingly the costs that enter into the provision and maintenance of that service are not subject to control.

Not only has the government frozen railway freight rates within the ceiling of the recent 17 per cent increase but the effect of its policy is to freeze trucking rates within the same ceiling. It is true that the type of service trucking provides is of sufficient value to the shipper that he will sometimes pay more to get that service than he will pay for alternate freight service. But usually, because rail and truck are intensely competitive, railway freight rates are the competitive ceiling on trucking rates.

But the government has not frozen the prices truck operators have to pay to keep themselves in business. For example, it has not said to the manufacturers that the selling price for trucks and truck-tractors is frozen; that trailers can take no increase in the selling price. It has not said to Mr. James R. Hoffa that his International Brotherhood of Teamsters is now negotiating with an industry in Canada whose selling price for service is frozen wherever costs have pushed that price to the 17 per cent railway freight rate ceiling.

Even if it be for only a twelve-month period, the principle of the freight

rate freeze cannot be accepted by the trucking industry as either right or fair. So we can do no less than register the industry's strong opposition to the freight rate freeze.

The expenditure of \$20,000,000 on a twelve-month reduction of the class and commodity rates of our competitors, the railroads, may have little if any *immediate* impact on the trucking industry.

Incidentally, Mr. Chairman, this is a question which could not be studied with finality in time for these hearings because of the very large number of railway tariffs which had to be examined and which were mentioned this morning in the evidence which was given. There are a very large number. However, we have so far come across some instances where reduction of commodity rates—and I am speaking of non-competitive commodity rates, not competitive rates—will affect directly the level of trucking rates in one province. We will be prepared to provide evidence on that if you desire. Generally, we are not claiming that the immediate impact of the subsidy is going to have a great damaging effect on the trucking industry at this time. But its effect is that public funds are being used to isolate freight traffic from potential competition: and yet if that competition was allowed to take its course, without the intrusion of subsidy, it would do the job that the subsidy is doing, *at no cost to the taxpayer*.

The non-competitive class and commodity freight traffic is potentially competitive. According to the Board of transport commissioners judgment of November 17, 1958: "Since 1953, this normal traffic has drastically shrunk in volume and now constitutes only about one-third of the total freight revenue of all railways." Much of what used to be class and commodity rated freight traffic is now either competitive-rated or agreed charge traffic on the railways or is moving by truck.

The principle of nation-wide railway rate subsidization, embodied in the bill before the committee, is believed by the trucking industry to be neither right nor fair. We are strongly opposed to such subsidization.

Underlying the trucking industry's opposition to the railroad freight rate freeze and to the subsidized rate reductions are the industry's conviction that:

1. Freight rate increases in Canada since World War II have, through propaganda and emotional, rather than reasoned, response, been whipped up into a public issue of far more serious proportions than the facts justify.

2. Freight rate increases have been moderate, not excessive, in respect to the railroads and trucks.

3. Aggregate freight rate increases since World War II have not built up unfair discrimination against any region or territory in Canada. On the contrary, rate increases have been regulated by competition in such a manner that unfair discrimination, though it may be an issue, has little, if any, substance in the freight rate structure.

Anyone who has had the opportunity of travelling throughout Canada, and of following press comment on transport issues, knows that freight rates can be discussed with as much heat as light. They are an issue which tends to be supercharged with emotion—freight rate emotion. Why it should be believed that the matter of freight rates can be settled in such an atmosphere, when it is expected that other public matters will be settled in the pure, a stringent atmosphere of reason, it is difficult to imagine.

This committee, Mr. Chairman, is hearing us today not to perpetuate freight rate emotion but to get the facts—to develop freight rate reason. Let us see,

therefore, how large the actual burden of freight rate increases has been in the past decade. That, in itself, is a question heavily charged with emotion. It is the question at the very root of the frightening picture that has been built up regarding implementation of railway freight rate increases—increases claimed to be so great that a halt must be called, at least temporarily, with extraordinary interim measures such as subsidized rate roll-backs and a freight rate “freeze”.

2. The Burden of Horizontal Railway Rate Increases

The issue of the burden of railway rate increases is heavily charged with emotion and it is essential to determine the true facts of the case. The fundamental fact—and the fact which is seldom understood—is the *actual* burden of horizontal rate increases.

Theoretically, a series of post-war decisions by the board of transport commissioners has raised the maximum level of railway rates by 157 per cent during the period 1946 to 1958. Thus, if the maximum level of railway rates in 1946 is taken as 100, the index of permissible maximum railway rate increases in December 1958 would be 257, a very serious increase indeed.

Such an increase in freight rates never took place. For competitive reasons the railways were forced—and, as it will be shown, these occasions were never restricted to central Canada—to introduce competitive rates and agreed charges. These types of competitive rates either lowered the rates payable by the shipper, or because of actual or potential competition, negated the implementation of permissive increases.

The increase in the maximum ceiling of railway rates does not represent the true increase in the burden of railway charges to the shipper. Fortunately, the index of the actual increase in average railway rates can be worked out from official federal data published by the dominion bureau of statistics and by the board of transport commissioners.

The railways' revenue per ton mile is, of course, nothing more than the cost to the shipper per ton mile. Therefore, the index of average railway revenues per ton mile also represents the index of the true burden of railway rate increase to the shipper. Naturally enough, average revenue per ton mile—like all averages—is a general description, comprising such diverse elements as the movement of automobiles and grain; traffic (grain) moving at statutory rates unchanged from the last century; and movements of valuable and fragile machinery. In this respect the average revenue per ton mile is similar to the index of the “maximum permissible level of railway rates”, except that it reflects what has really happened—not what could have happened if no competition and no statutory rates existed.

In one respect, however, the index of average railway revenues per ton mile does not reflect the true charges to the customer. This exception exists because of the subsidization of certain railway traffics, resulting in average railway revenues per ton mile being higher than the costs to the shipper. *Therefore, the index presented below overstates the actual increase in the burden of railway rates.*

Even so, the gap between the theoretical and real increase in the burden of railway rates is significantly high. Whereas the theoretical maximum level of the railway rate index increased from 100 in 1946 to 220 in 1957, the index of average railway revenues per ton mile increased during the same period from 100 in the base year—1946—to 158.3 in 1957. (Since the recent increase was authorized at the end of 1958, it came too late to be reflected in an increase of average revenues per ton mile; therefore, 1957 is the last year in our indices.)

I would ask that the members of the committee be good enough to make a correction on chart 1. The source of information on chart one should be the same as the sources of information in table 1, which comes immediately before it; and that is the picture of railway horizontal rate increases in Canada authorized by the board of transport commissioners, and what actually happened.

See Appendix B.

The simple fact is that we have had a total railway rate increase in Canada 1947-1957, of 58.3 per cent.

It is clear that the effective, as opposed to theoretical, increases in the railway rates do not bear out the theory that the burden of railway rates has become unbearable. Because of the existence of highway competition, and because of federal government action, notably the immensely complicated task of equalizing railway freight rates, the actual increase in railway rates is not out of line with other price increases in our economy—all freight rate emotion and propaganda to the contrary.

On the other hand, actual increases in railway rates are the result of the upward movement of prices and costs in our economy. These results could not be prevented by any means other than a complete and artificial isolation of the railway industry from inflation, which affects all industries.

On page 12 where we deal with railway competitive rates and agreed charges we quote from the Turgeon Royal Commission a statement in its report of February, 1951 in which they point out that:

Truck competition did not become noticeable in Canada until less than 25 years ago. In the chapter of this report dealing with Crowsnest pass rates, it is pointed out that in the course of the great parliamentary debate on freight rates, which took place in 1925, nothing at all was said about the truck. Water transportation alone was discussed as a factor holding down railway rates in central Canada, to the advantage of shippers in that region. From then on the situation has been changing very rapidly, to the extent that today water competition is seldom mentioned; truck competition has overshadowed it almost completely. The years since the end of the war have seen this traffic increase more rapidly than ever with the improvement in motor vehicles and the extension of hard-surfaced highways which have taken place. The trucks generally provide favourable rates and a convenient service.

Then the commission goes on in that report of 1951 to present its assessment of where the impact of railway freight increases was falling at that time, and it says:

Conditions seem to indicate that these losses to the railways by reason of truck traffic can be expected to increase as time goes on.

The effect of these losses in railway revenue is to throw a heavier rate burden upon the traffic which is non-competitive, that is long-haul and low-valued traffic. This burden is borne especially by those sections of the country, such as the prairie provinces, where truck competition is very much weaker than in central Canada.

3. Railway Competitive Rates and Agreed Charges

The railway freight rate increases applied in Canada after World War II were much more moderate than the increases actually authorized. The reason: truck and water competition. Of the two forms of competition, trucking was by far the most important. The location of available waterways rendered trucking the sole competitive force which had complete national, regional and local effect.

The Turgeon Royal Commission on Transportation, in its report of February, 1951, stated at page 265:

Truck competition did not become noticeable in Canada until less than twenty-five years ago. In the chapter of this report dealing with Crowsnest pass rates it is pointed out that in the course of the great parliamentary debate on freight rates, which took place in 1925, nothing at all was said about the truck. Water transportation alone was discussed as a factor holding down railway rates in central Canada, to the advantage of shippers in that region. From then on the situation has been changing very rapidly, to the extent that today water competition is seldom mentioned; truck competition has overshadowed it almost completely. The years since the end of the war have seen this traffic increase more rapidly than ever with the improvement in motor vehicles and the extension of hard-surfaced highways which have taken place. The trucks generally provide favourable rates and a convenient service.

How great have been the changes in the freight rate situation of the past decade—changes caused mainly by truck transport—is seen by comparing the commission's assessment of 1951 conditions and the actual conditions that exist today. For the same royal commission, also at page 265 of its 1951 report, said this about the results of truck competition:

Conditions seem to indicate that these losses to the railways by reason of truck traffic can be expected to increase as time goes on.

The effect of these losses in railway revenue is to throw a heavier rate burden upon the traffic which is non-competitive, that is long-haul and low-valued traffic. This burden is borne especially by those sections of the country, such as the prairie provinces, where truck competition is very much weaker than in central Canada.

We hear today that same assessment of 1951: that the benefits of truck competition are concentrated in central Canada—that because of this concentration of competitive benefits in the central provinces, the west and maritime provinces have to carry the burden of railway freight rate increases. And how wrong that is today!

We hear today about "discrimination" in freight rates caused by railroad monopoly on the long hauls—a monopoly more myth than substance, for today (and ever since the nation-wide rail strike of 1950) transcontinental truck lines span Canada. Hardly a week goes by that you cannot pick up a copy of the Financial Post and see one or more of the transcontinental highway freight lines, linked by their own teletype communication across this country, advertising their services to shippers.

The repetition today of tired, tattered and untenable conclusions designed to bolster the case for freight rate discrimination—central Canada sitting pretty while the west and the maritimes pay the shot—fails utterly to bridge the gap between the conditions reported by the royal commission in 1951 and the conditions which now exist.

Indeed, Mr. Chairman, the next Turgeon Royal Commission only four years later—and I refer to the Royal Commission on Agreed Charges whose report is not studied so often, states in its report of 1958, at page 45:

Conditions as they exist today cannot be ignored nor the changes that are still taking place. Chief among these are (1): The growth of highway competition between eastern Canada and the western provinces. This caused the railways to publish competitive rates on certain commodities where only a short time ago none at all were in effect on these movements, for example, canned goods.

The standard claims for freight rate discrimination have changed but little since 1951. The case remains almost static. Transportation development has not been static in Canada in the past ten years, even if the claims about transportation conditions of ten years ago bear such a marked similarity to the claims recited, for example, by the eight provincial governments to the governor in council at the hearing of the freight rate appeal on November 24, 1958. Transportation development has, on the contrary, been a surging, dynamic force in the past ten years. In the crucible of competition, that dynamic force of transportation development has not been wasted. For one thing, it has re-molded the freight rate situation of this country in such a way that much, if not all, of the alleged discrimination has evaporated—even if the claims have not. Fortunately, the testing time for those claims is again at hand in the coming hearings of the new royal commission transport inquiry.

As we have shown in chart No. 1, the D.B.S. transport statistics show that at the beginning of the post-war era the index of the railways' average revenue per ton mile was very close to the index of the maximum permissible level of railway rates. A large portion of the authorized freight rate increases of the railways was being applied. But not for long. The breakaway began towards the end of the 1940's. The gap between the two lines began to widen substantially, reflecting the increasing impact of truck competition; the granting of more railway competitive rate reductions and more agreed charges to railway shippers; and a corresponding decline in "normal" railway traffic (the traffic moving at class and commodity rates) which, under the impact of competition, was shifting into the lower-than-normal tariffs—the competitive rates and agreed charges.

But, if a case for discrimination still exists today, the wide gap between the two lines—the rate increases the railways were authorized to apply and the amount of increase which they were actually able to apply—could mean only one thing: that the benefits of truck competition in the past decade have still been concentrated almost exclusively in Central Canada; that it is still correct today, as the royal commission said in 1951, that the freight rate burden is being borne especially by the west and the maritimes. This, of course, is the rate discrimination argument.

Then we mention the value that the waybill analyses will have to the coming royal commission and the fact that there was only one annual waybill report—and that for the year 1949—which was available to the Royal Commission on Transportation.

I shall not describe the waybill analyses because it has already been done by Commissioner Knowles who is infinitely more qualified to do it than I am.

The facts are to be found in the waybill analyses of the Board of Transport Commissioners. The coming royal commission transport inquiry will have a very great advantage over the Royal Commission on Transportation which held Canada-wide hearings in 1949 and 1950, reporting in 1951. The Board of Transport Commissioners, since 1949, has been issuing each year these revealing analyses of railroad waybills. The analyses cover the years 1949 to 1957, inclusive, except that no waybill analysis was issued for 1950. Thus, the Turgeon Royal Commission had the waybill analysis for only one year—1949—in its consideration of facts upon which to predicate its recommendations to the governor in council. Even waybill information for one year was considered of such value by the commission that, where appropriate, it was quoted in the report of 1951.

The transport board's annual waybill analysis is a portrayal of actual traffic movements. It shows the proportion of railway traffic which moves from one "rate territory" or "region", under what kind of rate and the amount of the rate—in addition to other valuable information.

Towards the end of January, 1959, Canadian trucking associations, reviewing the freight rate situation in preparation for the national transportation inquiry which was first announced on November 26, 1958, again gave careful study to the transport board's decision to award the railways a 17 per cent rate increase.

We came again to the finding in the board's judgment of November 17, 1958, that the actual increase in the railways' average freight revenue per ton mile, 1947 to 1957, inclusive, was only 55.4% for the Canadian National and 57.9% for the Canadian Pacific. As the board itself pointed out: "The revenue per ton mile is the ultimate measure of what the railways can earn from year to year and it expresses in one figure the revenue for the work performed on the goods, i.e., the weight carried and the distance the freight is hauled."

If we could go beyond the national figures on the amount of freight rate increase and ferret out the actual increase in the railways' revenue per ton mile *by regions and between regions* of Canada during the past decade we would have authentic facts about the alleged "imbalance" and "distortion" in the freight rate structure on which the eight provincial governments expressed themselves so eloquently, first in their written petition to the governor in council, dated November 18, 1958, appealing for the rescinding of the transport board's 17 per cent decision, and then in their spoken submissions in support of the appeal on November 24, 1958.

Study of all of the transport board's waybill analyses, 1949 to 1957 (excluding the year 1950, for which no analysis was available) revealed that the regional results we sought were available. But they were not readily available. Only at great effort and at considerable cost could the required information be extracted by statistical procedures from the waybill analysis.

Neither the transport board nor any agency or department of the government has ever published the type of study we contemplated. At the time—towards the end of January, 1959—no such information was publicly available in Canada. The increasing involvement of trucking in the freight rate issue, and the extravagant and irresponsible nature of some of the public proposals for federal subsidization of our railway competitors, made it imperative that we undertake our own study of alleged freight rate discrimination on which the case for subsidy is based. Early in February our study began. The facts which follow are those uncovered to date—some as late as a few days ago. These facts as to the nature of freight rate discrimination in Canada are of such interest to us—as we hope they will be to the committee—that we are pressing on with additional studies of the waybill analyses in preparation for our participation in the royal commission transport inquiry.

There follows a table and a chart—No. 2—which indicate that:

Both the western and the maritime regions show the largest percentage increases in revenues generated by competitive rates and agreed charges. It is correct to say that in 1949 the western and maritime provinces had only a small proportion of traffic moving under competitive rates and agreed charges; and therefore they were taking the brunt of the freight rate increase; in 1957 the proportion of railway revenues generated by the two competitive rate categories in the west and the maritimes was close to the proportion of such revenues generated in central Canada in 1949.

Since facts speak stronger than oratory let us look at the results of official federal statistics compiled in the following table:

See Appendix B.

In 1944, the number of agreed charges was very small indeed, but a very significant increase is taking place in that traffic in the west and the maritimes, and the non-competitive traffic is coming down in both regions of Canada.

For the sake of discussion let us accept the contention that 20 per cent of traffic moving at the competitive rates and agreed charges enabled central Canada in the late '40's and early '50's to shift the burden of horizontal rate increases to the other regions of Canada. The fact that these two rate categories now account for 32% of total freight revenues in the west and for 30% in the maritimes means that any further shift of the freight rate burden is impossible because of the rapid growth of competitive rates and agreed charges. It follows that the argument about the regional imbalance and distortion in the rate structure due to an unequal distribution of the competitive factors is no longer based on facts—that the facts contradict the argument.

If the existence of competitive rates provides a natural protection against undue burden upon the shipper—the undue burden which allegedly would occur if *all* the railway rates could be raised to the allowed maximum—then the competition, which is the cause of the competitive rates and agreed charges, should not be eliminated or harmed.

It is illogical for the eight provincial governments to pursue two mutually contradictory objectives: lowering the railway rates through competition, and, at the same time, weakening the competition by federal subsidization of railway rate reductions.

Then, based on the waybill studies of the board of transport commissioners we prepared an analysis of the provinces which carried the burden of horizontal freight rate increases.

4. Which Provinces Carried the Burden of Horizontal Rate Increases?

In the previous sections the following facts were established about the competitive impact on railway freight rates:

1. Actual railway rate increases have but partially reflected the permissible rate increases.
2. The difference between the actual and permissible rate increases tended to grow—the result of the growth of competitive transport industries.
3. The proportion of competitive rates and agreed charges has been increasing faster in the west and in the maritimes than in central Canada.

In this section we shall examine the contention that the western and maritime provinces have carried the main burden of unfairly discriminative rate increases. The table and chart following—chart No. 3—summarize the trends in average railway freight revenues by the main rate territories or regions. (See Appendix B)

The foregoing data refer to all carload traffic originating regionally—that is, the “maritimes” traffic refers to freight movements originating in the provinces of Nova Scotia, New Brunswick, Prince Edward Island and in the province of Quebec east of Levis. If a freight movement begins and ends in the same region, or if it begins in that region and ends in another region, our data records the freight rate experience for both types of movement under the heading of the originating region.

Table 3 shows that the average level of railway rates for traffic originating in the western and maritime provinces has been consistently below the level of rates on railway freight traffic originating in central Canada.

It may be claimed that the western and maritime provinces suffer because the rates on traffic moving into these regions from central Canada are on the average too high. In order to examine this contention we re-tabulated all of the waybill data in order to determine the average level of railway

rates, not only by originating territories but also by destinations. The results of this further tabulation are presented in the table following and in chart No. 4. (*See Appendix B*)

Table 4 clearly indicates that, as far as the movements inside the rate regions are concerned, central Canada has the highest average level of railway rates. As far as the inter-regional movements are concerned, products of the western and maritime industries enjoy a lower level of freight rates than products of central Canadian industries. The highest average level of freight rates is borne by traffic moving from central Canada to the west. This experience has had two consequences: the "imports" of the western provinces from central Canada have to pay relatively high rates, which adversely affects the consumers in these provinces, but, on the other hand, the relatively high level of freight rates acts as an umbrella under which western Canadian plants are developing profitably, with a beneficial effect on employment in those provinces.

The definition of "western Canada" or "western region" should be noted. This region, according to the definition of the board of transport commissioners, extends from the Pacific coast to Port Arthur, Ontario. The relatively high rates between central Canada and the western region have been largely due to the comparative lack of competition from other means of transport, a fact which even the "bridge" subsidy has not fully outbalanced. This competitive situation is undergoing a radical change, however. The completion of two major projects of the past decade—the trans Canada highway and the St. Lawrence seaway—by providing new and vigorous competition with the railways, will force the railway rates downward. On the other hand, if the railway rates are subsidized, the growth of these new competitive forces will be retarded. Thus, the subsidy is likely to extend the present lack of competitive imbalance, at a time when a strong possibility of corrective competitive development exists.

The general analysis leads logically to a more specific analysis of the movement of railway rates by the main regions.

Western Canada

The changes in freight rates relating to traffic originating in the western region are presented in the table below and in chart No. 5. (*See Appendix B*)

The following facts stand out clearly:

1. Railway traffic originating in the western provinces is moving at an average rate level lower than the national average.
2. The average level of freight rates, determined by revenue per ton mile, follows the national trend, but at a slower pace. In 1949, western Canadian freight rates were approximately 20 per cent below the national average. In 1957, they were 29 per cent below the national average.

The statistical and graphic picture of the western Canadian freight rate experience of the past decade includes the statutory grain rates—the Crowsnest Pass rates. We are looking at the total freight rate experience of three regions—west, maritimes and central Canada. The statutory grain rates are a condition which western Canada enjoys; they have not been excluded from this submission.

The Crowsnest Pass rates are important but they are not sacrosanct. To exclude them as part of the freight rate picture would be illogical and would simply be an attempt to look at the whole freight rate picture with a blind pulled down over part of it. The statutory rates relate to the movement of the most important western Canadian export. There have been many eloquent descriptions of their place in the freight rate structure. No assessment of the impact of railway freight rate increases could be complete without them.

With, or without, the Crowsnest Pass rates included, the west has not suffered immediately from the railway freight rate increases of the past decade. For even if statutory rates were excluded the position of the west is by no means unsatisfactorily. This is illustrated by chart No. 6.

Chart No. 6 indicates that during the 1949-1957 period western Canadian rates—even excluding statutory rates—have been consistently below the rates in central Canada. True enough, in the early '50's the western rates were increasing somewhat faster than the rates in central Canada, but more recently this trend has been reversed. At the same time it must be remembered that industrialization in the West has been relatively faster than in central Canada. Therefore, the traffic composition in the west has been undergoing a more rapid change from lower to higher rated commodities. The exact determination of all the factors mentioned above is not possible without very extensive studies which we have not yet completed. The basic facts, however, are quite clear:

1. The western provinces have had a railway rate experience more favourable than the rest of the country.
2. Even without taking into account the statutory rates, the western Canadian rates are lower than those of central Canada.

The Maritimes

The study of the rate experience of the maritime provinces is of special value because the maritimes are the region in which railway freight rate subsidization has been in effect for 30 years.

Mandatory reduction of freight rates by 20 per cent for all rail shipments within maritime territory, and by 30 per cent for rail shipments moving west-bound from the maritimes to just inside the Quebec border, is financed by annual payments from the federal treasury under the Maritime Freight Rates Act of 1927. The maritime rail subsidy is paid on the railways' competitive as well as non-competitive rates. In 1957, federal payments made to the railways for this purpose totalled over \$12,500,000.

If railway subsidization was successful in achieving anything for the maritimes one would expect that the rate structure in the maritimes would be as favourable as for any other part of the country.

The facts prove this expectation wrong:

1. Railway rates increased somewhat faster in the maritimes than anywhere else—by 71 per cent in the maritimes as against 24 per cent in the west and 48 per cent in central Canada.
2. The average level of maritime railway rates is higher than the national average.

Chart No. 7—based on the board of transport commissioners waybill data illustrates these points clearly.

Then, we deal with the contention that if the railway subsidization was successful in achieving anything for the maritimes, one would expect that the rate structure in the maritimes would be as favourable there as for any other part of the country.

Mr. HEES: I must apologize Mr. Magee. I have to leave for a commitment that I made about three months ago. I assure you that I have found this most interesting and I will read the rest of it tonight and will be here at nine o'clock tomorrow morning. Thank you very much indeed.

Mr. MAGEE: We show in chart No. 7 the maritime freight rate picture based on revenue per ton mile and we show the for-hire motor carrier per ton miles per head of population—those are gross ton miles that we use there. Our picture on the right-hand side in that chart, is obtained by dividing the gross miles by the dominion bureau of statistics 1957 population estimate.

We use gross ton miles for our own reasons in assessing the influence of the size of vehicles involved in maritime trucking. For those members of the committee who are interested in the particulars for net ton mile, I can give you that figure.

Over each province, in chart No. 7, the present figure is there—Atlantic region—is 233. The net ton miles charges that figure to 96. For Quebec, 210; Ontario, 371; Manitoba, 136; Saskatchewan, 265; Alberta, 586 and in British Columbia, 5259.

That latter set of figures is the net ton miles divided by the dominion bureau of statistics 1957 population estimates.

As the western and maritime rail subsidy advocates claim that truck competition produces a more favourable railway freight rate situation in central Canada, it is important to compare the railway rate experience of the maritimes and the relative development of the maritime trucking industry (the latter faced since 1927 with federally-subsidized rail rate reductions):

1. The Atlantic region has the least developed trucking industry in Canada, measured in terms of ton-mile per capita.

And the pattern is the same whether you use gross ton miles or net ton miles.

2. The Atlantic region's trucking industry is proportionately 40 per cent less developed than in the neighbouring province of Quebec.

The following conclusions are apparent:

1. Subsidized rail rate reductions in the maritimes, with their inherent weakening of the railways' competitors, did not divert the impact of railway rate increases.

2. The rail subsidy that has existed in the maritimes since 1927—about the year of the birth of inter-city trucking—reduced the competitive force of trucking there and thus prevented the maritimes from enjoying a railway rate experience as favourable as that of Western and central Canada.

The previous sections of this submission presented a critical evaluation of standard arguments for subsidizing railway freight rates on the basis of an assumed "imbalance" and "distortion" of the rate structure.

We submit that on the basis of the factual material presented in the previous sections the "rate distortion" and "regional discrimination" arguments are contradicted by facts. These facts are:

1. The competitive re-molding of the railway rate structure has been increasing faster in the western and maritime provinces than in central Canada.

2. The effective railway rate increases have shown little over-all signs of discrimination against the western or maritime provinces.

3. The rate experience of the maritime appears to be closely related to the far slower development of the trucking industry there than elsewhere—a trucking industry facing subsidized rail rate reductions since 1927, with the subsidy applying even on rail competitive rates.

If past experience indicates anything, it indicates the inadvisability of railway subsidization from the point of view of long-term rate reductions.

We do not deny that in a number of cases full railway rate increases have effected hardship on certain groups of consumers or producers. Since it has been our intention to present all of the relevant facts—as far as our limited resources permit us to present them—we have considered it our duty to present data which might at the first glance appear to support the case for railway subsidization, at least where certain selected movements are concerned.

Chart No. 8 presents a graphical summary of railway rate increases—this again is using the board of transport commissioners waybill analysis—this from 1949 to 1957, not only by originating regions, but also by destinations and directions of movements.

The following general tendencies are evident upon study of chart No. 8:

1. For freight traffic moving within the rate regions, the western region had by far the lowest average rate increase—15.3 per cent vs. 43.8 per cent in the Maritimes and 44.1 per cent in central Canada.

2. The rate increase on freight moving from central Canada to the West was only 32.1 per cent whereas freight moving from the western region to central Canada took a 52.2 per cent increase. It is difficult to find a simple explanation for this differential in rate increases on westbound and eastbound traffic. Our studies indicate that the average ton-mile revenue of 2.21 cents in 1949, derived from freight moving from central Canada to the west, was already relatively high and that therefore railway management may have found it difficult to effect further increases above that level. This thesis is supported by the fact that the westbound traffic shows a very rapid growth of competitive rated and agreed charge movements.

Closer analysis, which will require more time, might reveal that the generally high central Canada to western Canada freight rates, which existed in 1949 and exist now, might be due to the predominance of manufactured goods and other high-rated commodities moving in that direction. By the same token it might be found that this traffic composition itself has changed over the last eight or nine years and that this factor is partly responsible for the more moderate rate increases on east-west traffic, as compared with west-east movements. Yet another factor is that traffic from central Canada to the west coast is subject to competition by water transport via the Panama canal and that this forced the railways to adopt competitive measures; for example, by extending agreed charges. In addition, truck competition in one or another way may also contribute to these particular rate trends.

3. The highest rate increases occurred on the movements between the Maritimes and central Canada: 67.4 per cent from central Canada to the maritimes and 55.6 per cent from the maritimes to central Canada.

Here, of course, truck competition is weakest, although the potential for development of the long-haul trucking industry is a good and a fertile field for the same interest by the maritimes transportation commission which the commission has displayed towards other aspects of the freight rate problem.

I may say that the maritime transportation commission is constantly examining these problems and they have cooperated very well with the trucking industry.

On the basis of past performance, the subsidy, upon casual examination, might appear to be more justifiable on the movements between central Canada and the maritimes and between central Canada and the west—but on the basis of future prospects, indiscriminate subsidization of these movements would produce the most harm.

If competitive rates and agreed charges indicate the existence and intensity of competition, then it is relevant to note that the revenues from these competitive rate categories increased, for movements between western and central Canada, from 12.8 per cent of the total in 1949 to 47.3 per cent in 1957 and you hear on radio and television that there is no competition on the long haul—this is a very substantial increase, sufficient to nullify any contention that the railways of this country have been exercising monopoly rate powers on long-haul traffic since World War II. On a large part of the long-haul traffic they

have been doing nothing of the kind. Their long-haul traffic on which they previously enjoyed a monopoly has been subject to non-stop shrinkage—and the word "shrinkage" is used to describe the long-haul monopoly, not the long-haul traffic. The traffic is now moving by both rail and truck. In regard to the traffic which continues to move by rail on the long hauls, its immediate competitive susceptibility is apparent in the very substantial volume of revenue now derived from the competitive rates and agreed charges.

With the opening of the St. Lawrence seaway and the completion of the trans Canada highway a further increase in competition can be expected. In fact, it can be said that the movements between central and western Canada have a very high competitive potential. If the eight provincial governments do not think it is in the public interest to stifle the competition, either actual or potential, it is logical to ask why they sought a measure—rail subsidy—that could have no other effect.

As far as the movements between the maritimes and central Canada are concerned, here, potentially, is another highly competitive situation. In 1949, competitive rates and agreed charges accounted for 13.0 per cent of railway revenues generated by the movement of maritimes-central Canada traffic. By 1957, despite the maritime freight rate subsidy on westbound rail traffic (the westbound interprovincial subsidy was increased in the 1957 federal budget) maritimes-central Canada traffic moving under competitive rates and agreed charges increased to 23.8 per cent. In view of the hopeful signs of development of long-haul trucking on these routes, there are good reasons to expect that the range of competitive traffic will further increase. At the same time, as previously mentioned, the trucking industry in this region is relatively under-developed and struggling against natural and man-made difficulties. It is especially vulnerable to the blows of subsidized competition.

The average lengths of haul on movements between the maritimes and central Canada are under 1,000 miles and are thus normally within the radius of efficient truck operations. The average lengths of rail haul between the maritimes and central Canada are tabulated as follows: (See Appendix B)

We have used information available to all who wish to study the impact of freight rate increases—the waybill analyses of the board of transport commissioners—to show the committee why we believe that the case for unfair discrimination, and thus the case for rail subsidy, cannot be proved. Railway subsidies applied to a "roll-back" of average rate increases on freight moving between regions—reduction of the most substantial of the increases—will have a harmful effect on potential competition.

The object of subsidization is not to prevent past rate increase—without gigantic subsidies, the past cannot be undone—but to counteract future rate increases considered unreasonable. It is submitted that future rate increases can properly and naturally be checked by the free play of competitive forces. Blocking of the development of free competitive forces is bound in the long run to have results which are the very opposite to those for which the subsidy is devised.

Mr. Chairman, the members of the committee who have listened to me with considerable patience, will be interested to know that I am now approaching the conclusion of this lengthy submission.

6. Conclusion

In chapter 1 of this submission, we expressed the three convictions which underly the trucking industry's opposition to the railroad freight rate freeze and to the subsidized rate reductions which will be authorized upon passage of the legislation before the committee. If some of the hon. members of the

committee believed that the convictions we expressed were extreme, we trust that the evidence which we have presented in subsequent chapters has justified the convictions we hold. We repeat those convictions:

1. Freight rate increases in Canada since World War II have, through propaganda and emotional, rather than reasoned, response, been whipped up into a public issue of far more serious proportions than the facts justify.

2. Freight rate increases have been moderate, not excessive, in respect to the railroads and trucks.

3. Aggregate freight rate increases since World War II have not built up unfair discrimination against any region or territory in Canada. On the contrary, increases have been regulated by competition in such a manner that unfair discrimination, thought it may be an issue, has little, if any, substance in the freight rate structure.

We respectfully submit that our criticism of the government's interim freight rate measures are not destructive; that, on the contrary, the entire submission which is before you is predicated on the constructive results of developing and maintaining a competitive transportation system in Canada.

The railways say that if they have a better product or a better price, then they are going to get the business, just as any other industry does; and if they have not either they are not going to get it. The railways themselves, in that statement of their position, which is typical of their "new look" approach to competition, acknowledge that all of their traffic is subject to actual or potential competition. The trucking industry sees no reason why, in respect to transportation, the competitive enterprise system should not remain intact—with no subsidy barrier being drawn over any class of railway freight traffic.

It must be remembered, of course, that no transportation agency, having got possession of freight traffic,—this is a very important point because the burden of this submission is not that you should leave us alone so we can get the rest of the traffic—has any assurance that it will hold it. There is no such thing as freight that is the exclusive preserve of the trucks; or freight that is the exclusive preserve of the railways. The distribution of traffic between competitors is fluctuating all the time with traffic passing from one form of transport to another as each brings its most attractive selling points to bear upon the shipper. The trucker may get traffic away from the railway on the basis of faster point-to-point service—with, or without, a rate inducement. The railway responds with a competitive rate and goes about improving its own service—and if that does not do the trick they go after the shipper with an agreed charge, containing even lower rates. The shipper may have these lower rates if he is willing to be tied to rail service for a fixed period in the movement of a fixed percentage—often 100 per cent—of the traffic covered by the agreed charge. No transport agency is going to get all the freight—even as one agency goes after new traffic, it may lose, at least until it makes some competitive countermove, traffic which it had previously obtained.

The motor truck was the one transport agency which was technically equipped to end monopoly railroad service and monopoly railroad rates and to do so with complete national, regional and local effect. This result has been largely achieved. Only where substantial railroad freight rate subsidization has long existed has the competitive impact of trucking been weaker and the applicability of railway freight rate increases more noticeable.

If it is true that unfair freight rate discrimination exists today where truck competition does not exist; if the information made available by the board of transport commissioners supports the conclusion that competition is proceeding apace to envelop what remains of the non-competitive traffic; surely it is in the public interest to let nature take its course—to let the competition develop and fill the same roll which the government would fill with a freight rate subsidy.

The CHAIRMAN: I am sure, gentlemen, we appreciate this fine brief which has been presented by Mr. Magee on behalf of the Canadian Trucking Association. Are there any questions? I may say that Mr. Goodman and Mr. Montague are with Mr. Magee and will assist him in answering any questions you may have. Perhaps you would like to introduce these gentlemen.

Mr. MAGEE: Mr. Goodman is an honorary life director of the Canadian Trucking Associations and the general manager of the Automotive Transport Association of Ontario. He appears today in his national association capacity. I asked him to come here because he has had 25 years experience in our industry.

Mr. George Montague, who is right beside me, is the secretary and legal counsel of the Applied Economic Research Associates in Toronto. He has worked with us since 1955 in a number of studies, including the waybill study.

As some of these matters are very complex, I would like to pass to these gentlemen—some of the questions which I am unable to answer.

Mr. BADANAI: As an example, owing to the freight rate increase, it has increased the cost of an ordinary house by up to \$200. You say we should not pay this subsidy. You are objecting to the subsidy. How are we going to have these freight rates equalized in so far as northwestern Ontario is concerned? What is the industry doing about that?

Mr. MAGEE: Well, as pointed out in our brief, you cannot have it both ways. If you have the subsidy you have weak truck competition which cannot react against the freight rate increase; if you have competition we say it will do the job that the subsidy will do—maybe not as quickly in your part of the country, maybe not in the next year. But we have shown in our brief how the competition has increased tremendously in the past ten years in the three regions of Canada, the west, central Canada and the maritimes. So what the transport board calls the normal traffic, the class and commodity rate traffic, has shrunk since 1953 quite drastically to about one third of the total traffic of the railways. Our submission is that if the transportation system is allowed to remain competitive—and that is the way it has been allowed to develop since World War II; there are many types of transportation enterprises which have been created—that will take care of the regional freight rate discrimination problem. My colleague, Mr. Goodman, might be able to add something to that.

Mr. BADANAI: Are you talking about northwestern Ontario, which is closer to the province of Manitoba?

Mr. GOODMAN: I think, Mr. Chairman, those who live in northwestern Ontario will know that prior to 1953 there was no truck service from central Ontario to the Lakehead. There are now several services. Also prior to 1953 there was only one truck service between the Lakehead and western Canada; there are several now. We believe the competitive situation will become more intensified as the gap over Lake Superior is completed and as reciprocal arrangements and improvement in the highway from the Lakehead to western Canada develops. I think a study will show that during the last four or five years there has been an extensive amount of service into that area which did not exist prior.

Mr. FISHER: I would like to ask Mr. Magee some questions about his association, its membership and strength, and the number of employees involved, so we can get a picture of the association. Could you fill this in for us, Mr. Magee?

Mr. MAGEE: Yes. We are a federation of all the provincial trucking associations in Canada. Our members are the provincial associations. Their members are the truck operators and their total membership is somewhere between 6,000 and 7,000 operators. That includes everything from one truck owner drivers, of which we have hundreds, right through the medium-sized operators and up to the largest trucking companies in Canada. The total employed in the trucking industry is approximately 72,000, and that is direct employment.

Mr. FISHER: You make the point that the railways are getting into this truck competition with integrated service; do they play any part either at a provincial or federal level?

Mr. MAGEE: They do at the provincial level but they are barred by the by-laws of the Canadian trucking associations from playing any part in our activities at the federal level; in other words, in the national association. No employee of any form of transport competitive with the trucking industry can be a delegate to any meeting of Canadian trucking associations. That covers our senior policy-making body, which is our annual meeting; it covers our board and committee meetings. So far as the national association is concerned, it is the creature of the provincial associations. It is the policy of some of the provincial associations to accept into their membership railway truck lines, but to keep the national association as an association of independent trucking companies in Canada.

Mr. FISHER: You have indicated a number of trends, but you have not given any indication. The movement of the railways into this field is going to have an impact upon you. In your brief you have tended to separate railways and trucking and shown them as purely competitive. Would you not have a competitive situation that would work out to reduce rates in the long run? The railways are right into this field themselves, and has that not a bearing upon your presentation?

Mr. MAGEE: Well, is it your point that if the railways proceed too deeply into the trucking field there will be a lessening of competition in regard to rates?

Mr. FISHER: Yes.

Mr. MAGEE: Up to the present time the only company that is purchasing truck lines is the Canadian Pacific. The Canadian National has not entered the trucking industry by purchasing any of our independent companies. The Canadian Pacific is on the highways now from Vancouver Island to Prince Edward Island; they have achieved that through the purchase of four or five large companies. But as for any thought that they could get a monopoly or get into a position of monopoly, or into a position that if their interest in the trucking industry became so great, the parent company might instruct the management to ease up on rate competition so the parent company would have a more favourable time—I do not think it is likely to come to fruition. I say this because the entry into the trucking industry, while it is controlled in many provinces, can still be achieved by any person who wants to make an application and who can persuade the provincial regulatory board he should be admitted. And even if the railway got a stanglehold on the hire trucking industry, the development of private trucking, which is becoming the greatest threat to the railways and ourselves—and I am talking about the trucking industry—would mitigate against monopoly rate situations.

Mr. FISHER: Would you define private trucking?

Mr. MAGEE: The shipper who buys his own vehicle and sets up his own transportation department to haul his own goods in his own vehicles.

Mr. FISHER: Have you ever campaigned or is it still part of your policy that the railways have no business being in the trucking industry.

Mr. MAGEE: Yes, we have spent thousands of dollars to try every conceivable form of legal fight which we could arrange;—and this responsibility is borne by myself, Mr. Goodman and many others in our industry and association staffs—to fight this development and prevent it from growing. We have not attracted too much support from the public or anyone else.

Mr. FISHER: Is your policy in this particular regard based upon the free enterprise thesis that you have in this brief, that because the railways have a record of subsidies and government support in various categories it is unfair to get into a business in which you have to be fully competitive and have no form of subsidy?

Mr. MAGEE: Yes, we want to keep the trucking industry as an independent competitor of the railways. That is the policy of Canadian trucking associations with which, as I say, we are having some very considerable lack of success. But that is our policy and we will continue to make those attempts. We will examine every statute in the country that can be examined that has a bearing on this problem, including the Combines Investigation Act. I want to emphasize that we are continuing our efforts to try to keep our industry independent.

Mr. FISHER: In the long haul to western Canada there has been a tremendous increase in piggy-back service. How is that developing? Has it affected the independent operators in relation to railway competition?

Mr. MAGEE: The independent operators are using piggy-back in increasing numbers, wherever it is being made available by the railways. As the members of the committee know, there was no piggy-backing of trucking industry trailers until last year. Then it started. Up until that time the railways had hauled only their own trailers by piggy-back, and then they made the service available to us. I think there were some in our industry who expected that when we became the patrons of the railways, as well as their competitors that there would be a lessening of competitive problems. But the actual way it has worked out has been quite the reverse. The competition is continuing just as keenly as ever between the two industries, and representatives from both the trucking industry and the railways are out soliciting movement of freight for their particular media. Sometimes freight is secured by both and is moved to Toronto or Montreal on the same flat cars by the same industries.

Mr. FISHER: Is it the general contention of your industry that the lack of competition by the railway in certain fields, as you have outlined in your brief as being shielded from competition, is bad for the efficiency of the railways themselves?

Mr. MAGEE: Yes. If I understand that question correctly, it is this: has the competition acted as a spur upon railroad efficiency?

Mr. FISHER: Yes.

Mr. MAGEE: Very definitely. There was no over-night freight service—and I mean true over-night freight service—in Canada until the trucking industry, through competition, forced the railroads to compete.

In the past few years, under the leadership of Mr. Donald Gordon and Mr. Norris R. Crump, the two main railroads have been subjected to a smartening up procedure. We are receiving very stiff competition from the railroads now, and we are glad to have them as competitors.

Mr. FISHER: You say that there is no freight traffic hauled; that is the exclusive preserve of either railways or trucks. Let us take the grain trade moving down in the Crowsnest pass areas. Is it your contention that that traffic, even, is potentially truck traffic?

Mr. MAGEE: If I said "yes", it would probably provoke some amusement, but I am going to say "yes". I say it for this reason, that in 1931 the Duff royal commission on transportation issued a report, in which it was said—

Mr. DRYSDALE: Could you haul at Crowsnest pass rates?

Mr. MAGEE: No. If you wish us to make a statement on our position in the Crowsnest pass rates, we have one. It is not a factor that we are trying to dodge, but we could not haul statutory grain at the present rates.

The Duff commission said, on page 104 of the report of 1932: "In the more thickly settled areas in Canada, relief may be found in establishing zones for truck operations. The truck has its place in the movement of goods, but its proper function is collective and dispersive and not that of a primary carrier. In a properly coordinated transport system, the railway would assume the main burden of the carriage of goods for distances exceeding 50 miles, and trucks would operate as collectors and distributors of freight".

That is in the royal commission report of 1932, and there has been a tremendous change since then. As the royal commission on agreed charges—which reported in 1955 and which I have quoted—said, the situation had changed so much even then with regard to the growth of highway competition between eastern Canada and all the western provinces. This is because the railways had published competitive rates on certain commodities, where only a short time before none at all was in effect in these movements.

So my answer is, on the basis of what has happened, that it is impossible to take any traffic in Canada and say that at some time it will not be hauled by truck.

Mr. DRYSDALE: Examining your brief, you emphasize, of course, that trucking is competitive with the railways, about which I do not think anybody would argue. But I wonder, also, if it is comparable, in a sense, because you can get out of the trucking business fairly easily, but it is rather difficult to get out of the railway business.

I understood that you seemed to be implying that you objected to the subsidization of the railways, and you felt in effect that truck competition would eventually serve to take over.

Is there an implication in that, first of all, that the trucking industry would eventually take over the railroads, and if so, how would you provide for the gradual retiral of this, shall we say, capital investment?

Also, is there the implication—if that is not so—that you feel that the trucking industry—and I realize the constitutional difficulties—should be represented before the Board of Transport Commissioners in a sense so that the railway and trucking industries, could co-exist? Have you any comments on that?

Mr. MAGEE: I would say, in regard to growing so big that we found we were taking over the railroads—I hope it would never happen to any of us here, because—

Mr. DRYSDALE: I meant, supplanting them.

Mr. MAGEE: No, because, as I pointed out in our brief, there is no traffic that is the exclusive preserve of either the truck or the railway. You hear about traffic that is natural traffic for the truck; but the way the competition has been, there is no natural traffic for the truck or the rail in the areas in which the two are competing, because what the truck operator thought was natural traffic and which he might have been hauling for three years, may not be there tomorrow; the railways may publish an agreed charge, which drops the rate down so low that the truck operator cannot meet it.

Mr. DRYSDALE: In your view, should the railways exist without subsidization?

Mr. MAGEE: I think the railway could exist without subsidization, yes. I also think there are situations in the transportation system in Canada that require looking at very carefully and require to be ironed out.

Mr. CHOWN: I was wondering if there was any single authority in the auspices of your association or elsewhere which sets the freight rates for truckers?

Mr. MAGEE: No, sir.

Mr. CHOWN: There is not?

Mr. MAGEE: No, there is not; and I may say that this association and Mr. Goodman's association, and every other provincial trucking association in Canada do not enter into the rate picture because, for very obvious reasons, that would not be possible.

The only time our officials meet with truckers in regard to rates is when it is a railway rate matter that confronts truckers, and may necessitate some representations to some federal agency. Then we would meet to discuss the impact of the railway rate situation. But we cannot meet and discuss truck rates with our own people.

Mr. CHOWN: Do you not agree that the industry received a substantial subsidy from the government of Canada in the construction of the Trans-Canada highway?

Mr. MAGEE: That raises the question of whether the trucks pay their fair share of highway costs. We think we do.

I do not think that even if we were to argue for a minute that that is not true, it is a comparable situation or has a relationship to the situation we are discussing today, because in one instance we are talking about roadbed subsidization and the railroads have, as we all know, in order to get started in Canada, received very substantial subsidies and land grants, bond guarantees, mineral rights. Secondly, we pay in the automotive industry, both trucking and automobiles, about \$300 million a year in sales and excise taxes on equipment and supplies which we use for our operation. That is paid to the federal exchequer. I think the amount that has been spent on the Trans-Canada highway is some indication of the tremendous tax entity that automotive transport represents in the tax structure of Canada.

Mr. CHEVRIER: Mr. Magee, I agree with the chairman's remark made a moment ago that you have presented here a very excellent and comprehensive brief. In fact, I have listened to many of your briefs and I do not know that any brief has been as well prepared as this.

You are fortunate, I think, in having had the benefit of the waybill analysis to make the conclusions which you have. I am not admitting that they are correct.

Mr. MAGEE: No.

Mr. CHEVRIER: But the question I should like to put to you now is this. I take it from the brief that you are ill disposed towards this bill that is now before the committee?

Mr. MAGEE: Yes.

Mr. CHEVRIER: Our business, as I understand it, is to determine what action we shall take on this, because of a judgment of the Board of Transport Commissioners to increase freight rates by 17 per cent.

Mr. MAGEE: Yes.

Mr. CHEVRIER: Have you any suggestions to make other than this subsidy? If the wages had to be increased by the amount mentioned in the conciliation board report, and if that could be done by no other way than an in-

crease in freight rates to the extent of 17 per cent, do you know of any other method in which the position as was found by the Board of Transport Commissioners could be met, other than in this way?

Mr. MAGEE: I know of no other immediate way in which it could be met, Mr. Chevrier. Our thought is that—

Mr. CHEVRIER: Would you excuse me if I interrupt you there. If it does not meet the position, then how are the railways going to get the money?

Mr. MAGEE: Our position was first of all against the subsidized rate reductions of the class and commodity rates and against the freight rate freeze, and in favour of allowing continuance of competitive transportation, which we have tried to show in the submission has been bringing about great changes in the freight rate picture in the last 10 years, and, we think, favourable changes. We should let that continue.

We did say to the Minister of Transport, when we met with him in January, in connection with the coming royal commission, or what we referred to then as the national transportation inquiry—because we did not know it would be a royal commission—that we would participate in the inquiry if it was permissible, and we would cooperate in any way that we could in helping to bring about a solution to some of the problems which may have existed in the transportation field.

Mr. CHEVRIER: But the board decided against that contention. Where would the railways find themselves, if they did not have the benefit of the increase—that is what I am trying to get from you. Do you have any alternative?

Mr. MAGEE: Yes, sir. Our position is that the rail rate—

The CHAIRMAN: Pardon me a moment, we are dropping below a quorum, Mr. MAGEE, and there is a question which we have here. Is it the wish of the committee that charts, tables and graphs contained in this brief be reproduced in the committee's printed record at the point at which they appear in the brief, or would you prefer to print them in a group as an appendix? What is the feeling of the committee?

Mr. FISHER: What is the difference? Is there any relative difference in difficulty, so far as the printer is concerned?

The CHAIRMAN: Unless this is passed, they would not be printed. We have the evidence here but we do not have the charts. Where would it be preferable to have those charts put in?

Mr. DRYSDALE: As an appendix, I would think.

The CHAIRMAN: Is it agreed that they should be put in as an appendix?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Have you finished, Mr. Chevrier?

Mr. CHEVRIER: I did not get an answer to the question.

Mr. MAGEE: Our position is that the 17 per cent freight rate increase should have been allowed to stand. It would not have been the full 17 per cent increase. We have produced evidence here which demonstrates that it could not possibly have been the full 17 per cent increase.

Mr. CHEVRIER: Supposing it was only 10 per cent? Supposing you are correct in your assumption, and it was only 10 per cent that still means, I suppose, about \$50 million for the railways. Where are the railways going to get the \$50 million if they do not get it from the increase? They are getting \$20 million of it here. Where would they get the effect of the 10 per cent, if that is in effect what the increase amounted to?

Mr. MAGEE: They would have to come and ask for another increase; and we have shown in the brief that the rail increase in the past ten years has been only 58 per cent. We have said that the permissive increase of the board

have been used to show actual increases, which we say have not taken place. So if they had applied this increase, and it was not sufficient to give them the necessary revenue, they would have had to come back and ask for another increase.

It would have accelerated the competition. But not all of the traffic we have today we are going to hold. A lot of it is going back to the railroads. It is moving backwards and forwards all the time.

Mr. CHEVRIER: Did you come before the board on the 17 per cent hearing?

Mr. MAGEE: No; we were not present at the appeal on November 24, when the question of subsidy was first raised. We were not able to be there because we were not participants in the freight rate application. We have tried not to bother the board any more than we can help. We have tried to maintain a responsible attitude and not go around to the board with a lot of frivolous submissions and briefs. But this certainly jolted us, and perhaps we are the ones to blame, and did not foresee what might happen.

Mr. CHEVRIER: Do you think you should come within the jurisdiction of the board?

Mr. FISHER: That is the key question.

Mr. MAGEE: We are concerned about the situation that existed on the appeal, a situation in which we were not in a position to defend ourselves when other interests—the provincial governments—argued before the cabinet on the basis that the proper thing to do was to take off the 17 per cent increase and put in a subsidy to cover the full amount of that increase.

Mr. FISHER: I have a question which relates to what has been said. Your relationship with the Board of Transport Commissioners has been merely one of going, on occasions, and appearing before that board? The board has no call on you to appear before it, has it?

Mr. MAGEE: We have no status before the board at all, under the Railway Act. The board has so ruled. We did present an application to the board for disallowance of a very wide range of competitive rate cuts in western Canada in 1957, and the board held that we had no status as a party interested, and dismissed our application. That was their interpretation of the Railway Act.

However, they did proceed to hold a hearing on that particular matter, on their own motion, which they are empowered to do under another section of the act, and permitted us to appear as witnesses.

However, we have no rights before the board under the Railway Act, so far as we can see—except as a representative of shippers. Of course, those who ship trailers on flat cars are shippers, even though they are truckers.

Mr. FISHER: I have a contentious question to put at this time. From your experience in that particular hearing, or subsequently in any other relationship which you have had with the board, have you had any reason at any time to reach the conclusion that perhaps the board, with its very wide powers, is oriented too much toward the railway interests?

Mr. MAGEE: We have been before the board very seldom because of the fact that under the Railway Act we have no rights. Under the Transport Act we had no rights until 1955, when a very limited right of appeal, and a very broad right of appeal in regard to agreed charges, was created.

So far as any matter that we place before the board is concerned, we feel that the board looked at it fairly, and took the information that was before it and gave the best decision they could give; and we have not argued about it after.

Mr. HORNER (*Jasper-Edson*): I agree that this has been a very good brief, but I have questioned some of the bases used in the computations, particularly with respect to certain parts of it. I cannot find any breakdown of the relations in percentage increase in respect of various rates, and various sections of rates, between class, commodity and agreed charges; and I would like to know whether the classes are included in figuring these percentage increases.

The basic fault I find with the figures is the fact that you are using the ton-mile ratio or basis, and I think that that discriminates against us in western Canada, particularly in the prairie provinces—and perhaps, indeed, in all of Canada—because nobody can say that you can take a country like Canada and compare the various regions on a ton-mile basis. I do not think you can; it is not a reasonable thing to do.

Mr. MAGEE: In respect of revenue per ton mile, that is what the railways get for hauling one ton of freight for one mile; that is what it is?

Mr. HORNER (*Jasper-Edson*): I do not think that is a fair ratio, when you have to haul it so many more miles in the prairie provinces. In other words, your statistics show a more favourable condition for western Canada in regard to freight rates. I disagree with that entirely, on the revenue per ton-mile basis, because we have a lot of mileage. We have longer mileage and, of course, the longer the train, the cheaper you should be able to haul the produce per mile. That is exactly what has happened.

But that still discriminates against us, because we have many miles to go, to travel across our country.

Mr. MAGEE: So do we, in the trucking industry.

Mr. HORNER (*Jasper-Edson*): Yes; but your brief is based on figures that are produced on revenue per ton mile, and my contention is that these figures are not accurate and do not give a reasonable picture of the situation in western Canada. I would go further than that—because your figures are based on the long haul of agricultural products—more than just grain alone. They are based on the long haul of agricultural products; and the long haul of agricultural products, so far as the trucking industry is concerned, is a very minor part of its goods and services.

Therefore the area in western Canada which is being discriminated against particularly, and which your brief does not show at all, is the agricultural economy of western Canada.

Mr. MAGEE: You have asked several questions, and I shall endeavour to answer some of them. First of all, you asked if we included the Crowsnest Pass rates, the statutory grain rates, in our figuring.

Mr. HORNER (*Jasper-Edson*): In the particular figures for the percentage increases. On page 23 you take the Crowsnest rate. You give them both ways. I am not particularly worried about that. What I am worried about is, in your original percentage increases are the statutory Crowsnest rates included?

Mr. MAGEE: Except where it is specifically stated that they are not. In the one chart we show an exclusion of the Crowsnest Pass rates. Otherwise they are there, and frankly in our opinion that is just where they should be.

Mr. HORNER (*Jasper-Edson*): Not in my opinion, because you say that the freight rates have only increased so much. But in your average you use a statutory rate that is not increased at all, and cannot increase and, so far as I am concerned, will never increase.

Mr. BELL (*Saint John-Albert*): Mr. Fisher wants them to.

Mr. FISHER: Do not put that on the record.

Mr. MAGEE: We are trying to show the freight rates picture as it actually confronts us.

Mr. HORNER (*Jasper-Edson*): It does not give us the true picture, because you are taking a statutory rate which is level and using that as an average, or using it to figure out your mean rate.

Mr. FISHER: I cannot understand Mr. Horner's point. I wonder if he would elaborate on it a little more?

Mr. HORNER (*Jasper-Edson*): If you have, say, class and commodity rates and include charges and competitor rates and the statutory rates, you have five different rates. You have one rate which stays level and you figure your average on it which gives a false impression of this.

Mr. FISHER: Chart 6 indicates—

Mr. HORNER (*Jasper-Edson*): I am not referring to the charts. I am referring to the percentage increase for rates in western Canada.

Mr. DRYSDALE: Where?

Mr. MAGEE: Well, Mr. Chairman, we think the Crowsnest pass grain rates are part of the freight rate picture and should be included in the freight rates. We have been quite frank that they are included. We have not attempted to distort the picture. It is said right in the brief they are there. This is the way we will present the matter to the royal commission, and I think that is the proper way.

Mr. BELL (*Saint John-Albert*): Mr. Chairman—

Mr. MAGEE: There are a few other questions.

Mr. BELL (*Saint John-Albert*): Then perhaps you had better answer them because I am going to take you to the east coast.

Mr. MAGEE: Secondly, in respect of the number of agricultural products which you mentioned as receiving minor haulage by trucks, that is a field in which we are engaging more and more. In the dominion bureau of statistics motor transport traffic statistics, national estimates for 1957, they give some figures of selected statistics by commodity groups by for-hire trucking. This sample shows a revenue of \$71,958,000 in revenue for the for-hire trucking industry. The total gross revenue for the trucking industry in 1959 according to the bureau was \$380,759,000. They give in table 3 on page 27 the total net ton miles for agricultural products hauled by for-hire trucks. They define agricultural products on page 30 as follows, and this refers to movement by trucks: flour, fruit, grain, grain products, sugar beets, vegetables and other agricultural products. They show in 1957 our net ton miles in that category were 108,848,000, and that the average distance per ton—that is the average distance for each ton of agricultural products—was 598.1 miles. So I think we are getting very well into the market of agricultural products and it is a growing one.

In respect of the question of our revenue per ton mile figures, we say those figures are accurate and not only are they accurate but they must be because the officials of the board of transport commissioners are present.

Mr. HORNER (*Jasper-Edson*): I am not for a moment questioning the accuracy. It is the usage.

Mr. MAGEE: You do not think they should be used?

Mr. HORNER (*Jasper-Edson*): I do not think they give a good comparison because of the geographical structure of Canada. It is obvious railway costs in the prairie provinces or in the mountains are different than through northern Quebec.

Mr. MAGEE: Mr. Montague has done a great deal of work on this particular type of analysis. He made a study of the way-bill analysis.

Mr. MONTAGUE: We are as appreciative as anybody of the fact that any analysis on the basis of a revenue per ton mile will have its limitations.

For one thing, we are not talking solely about the prairie provinces. I am from the prairies myself and I appreciate some of the problems. We wanted to show the general picture. There have been other briefs, and there are other people in Canada, for example in the maritimes, who have presented briefs and indicated that their rates are high.

The inter-maritime type of transportation is a short haul type of transportation. It would compare more or less favourably to a central Canada haul, which is also a short haul although probably a little longer than the inter-maritime, probably much longer.

The point is that we prove this from examining and comparing those places. We do not have the figures for these two areas, but they are certainly comparable. We say that the maritimes have a lower average revenue per ton mile than does central Canada. This would indicate on first examination at any rate that the maritimes are, in fact, not prejudiced against so far as their local traffic goes, vis-a-vis central Canada.

Now, coming to the western shipments, this covers a lot of territory. Western distances are flat distances, and if we dig into western shipments, and shipments only within the western area, we will find there is a rate of 1.05. This is largely a result of statutory rates.

We have provided a chart to show roughly what that would mean. If you took out those statutory rates, it would raise it, but it would not raise it to bring it equal to eastern Canada. In fact, it is below. There is a distance factor in there also.

We have brought to the attention of the board and this committee the fact that there is a very high rate coming out of central Canada into western Canada. All we are doing is to present it to you. These are facts on which you have to judge. But to challenge us and to say that these figures are unfair, it would be unfair if we tried to conceal something from your view.

In these two areas we have given you a fairly good idea of some of the arguments presented to us by some of the interested parties, and that they do not hold water when you look at the figures. When you talk about western Canada, the same thing applies.

Some of those figures may be a little misleading, but we have told you all. We have tried to show you the impact of these figures, and that inter-western shipments are well within that rate. I would advise you to look at the rate we show from western to central Canada. We show a rate of 1.4 cents revenue per ton mile.

This is the lowest long distance rate available. It is comparable to the maritime to central, which is much lower than the central to western. It is a very low rate, and it does not take in to some extent the influence of statutory rates.

The statutory rates stop at Port Arthur. That rate is not a rate which is completely influenced by the statutory rates. Therefore we do not think again that we have misled you in that; and certainly it is a fundamental thing, something you would not have known, that your rate from western to eastern Canada is fairly low. It is certainly lower than the rate out of eastern Canada. We have used this type of analysis because it was, in our opinion, the best one we could use. We have tried to indicate to you the limitation of that analysis, and we think in certain particular places it gives you the broad levelling effects.

Mr. HORNER (*Jasper-Edson*): If 590 miles is a long haul, it would go from one end of my constituency to the other; and that is where the agricultural produce is playing a major part in trucking. But that is not a long haul in western Canada. I accept the evaluation of your figures, but they discriminate because there is a two to one difference.

Mr. PHILLIPS: I would like to ask if there has been any increase in trucking rates following the 7 to 8 per cent increase in freight rate granted to the railways?

Mr. MAGEE: Well, with between 6,000 and 7,000 trucking companies, it is almost impossible to give a national answer to a question like that. But there have been increases in trucking rates. For example, I know there was an increase in the province of Quebec after the 17 per cent increase. In that province the rates are regulated. They are under government regulation by the Quebec transportation board, and the operators cannot change the rates without the permission of the board. They must file new rates and show financial need before they can make rate increases. I have some knowledge of the rate increase that took place in Quebec, and they were granted on the basis of financial justification.

Mr. PHILLIPS: What percentage of the total revenue received by the trucking associations would come from materials carried by the railways under class and commodity rates?

Mr. MAGEE: In the class and commodity rates?

Mr. PHILLIPS: Yes?

Mr. MAGEE: As we indicated at the beginning of our brief, we said that the freight rate reduction under the subsidy would have little immediate effect. There is very little traffic at the present time, hauled by truck, that is related to the present railway class and commodity rates. There is some. I am talking about non-competitive class and commodity rates. These have been difficult for us to check. When the resolution came before the house we made a survey across the country through our provincial trucking association offices. We are not freight rate experts. We know our way around trucking company tariffs, but going through the railway tariffs is a much more difficult job. I can only present the picture to date and that is that in one province, Ontario, there are some class and commodity rates which, when they go down, are going to collide with existing trucking rates. There may be other instances in Canada, but not many at the present time.

Mr. BELL (*Saint John-Albert*): Mr. Magee, you make the general statement or conviction that aggregate freight rate increases since World War II have not built up unfair discrimination against any region in Canada, and I appreciate that is a general statement. But you say that railway rates increased faster in the maritimes and that the average level of rates in the maritimes is somewhat higher. I also appreciate the contention you are making. But I wonder if you could reconcile these for me, because they seem to be in conflict, in a general way at least.

Mr. MAGEE: Our contention is that the maritime freight rate subsidy of the past thirty years has had a weakening effect on trucking. It may not be the only factor, but we think it is the important one which is holding back the development of the trucking industry in the maritime provinces to a very noticeable degree, in comparison with the condition of the industry elsewhere.

Mr. BELL (*Saint John-Albert*): Do you include the maritime freight rates statutory subsidies in your calculations in the same way as the Crowsnest pass rates?

Mr. MONTAGUE: No.

Mr. BELL (*Saint John-Albert*): Then are we to take from the general conclusions here that this new legislation that we have before us today, its immediate benefit in dollars and cents to the maritimes, would probably be great because of the fact that our rates are high? You are expressing fears about it because it would continue to perpetuate, by the subsidy method, the condition that now exists in the maritimes, whereby truck competition has not been able to grow. Are these the other points which you make?

Mr. MAGEE: Yes, our contention is that the effect of the subsidy, the maritimes freight rate subsidy, confined exclusively to the railways and to the reduction of railway rates, has had a weakening effect on the maritime trucking industry. Also, in regard to the railway rate experience in the maritime provinces, according to the waybill figures it has been more noticeable there in the past 10 years than either in central Canada or in western Canada.

We say that to put more subsidy on will accentuate that difficulty, not improve it.

Mr. BELL (*Saint John-Albert*): But it is difficult to suggest whether the subsidy or the increase itself has caused that disparity that exists in that region. I mean, the increase itself has some effect—the horizontal increase?

Mr. MAGEE: Yes.

Mr. BELL (*Saint John-Albert*): It definitely has caused a disparity. But then you say, further, that the subsidy added on to this would greatly increase our disability?

Mr. MAGEE: Yes. The maritime freight rates under the act have reduced within the maritime region 20 per cent below the level of the standard rail rates throughout Canada in the past 30 years; on the west bound interprovincial haul, 20 per cent until 1957, and then 30 per cent. That is one of the major factors that affects the development of the trucking industry in the maritimes. We say that you cannot have it both ways. If there is more subsidy going on, you are not going to get a strong maritime trucking industry or have as much hope of getting a trucking industry in the maritimes that is as strong as the industry in western Canada and in central Canada.

The CHAIRMAN: Gentlemen, I see it is getting on towards six o'clock, and there seem to be quite a number of questions still to be asked of Mr. Magee, so I do not think we can finish with him tonight. What is the feeling of the committee? Does the committee wish to adjourn now and continue tomorrow morning?

Mr. CHEVRIER: Mr. Chairman, may I suggest that we give consideration to adjourning until 9.30? Some of us would like to do some dictation before we come here.

The CHAIRMAN: The only thing is, this seems to be the only room that is available, and we have to be out of here, and it has to be rearranged for our caucus. It will take half an hour, so we would not have too much time from 9.30 to 10.30. If we could possibly get a quorum together at 9.00 o'clock we could get away in an hour and a half.

Mr. FISHER: There are people here from the western provinces. Have they just watching briefs, or are they planning to give evidence?

The CHAIRMAN: No. Following Mr. Magee, tomorrow we are having Mr. Gordon Blair, counsel for the maritime coal company and the Saskatchewan coal company—

Mr. CHEVRIER: Are there any other witnesses besides those two people?

The CHAIRMAN: Yes. They will be followed by Mr. Jack Guest, representing the province of British Columbia; and Mr. Vaughan Paul, traffic manager of

the Pacific Great Eastern Railroad. He will have a watching brief. Then there will be Mr. Hobart Styffe, from Port Arthur, and Mr. Charnock, from Fort William.

Mr. FISHER: My question, Mr. Chairman: are any of these provincial representatives prepared to come and give evidence on this brief which we have just had? Mr. Morrow, are you ready to come up?

Mr. MORROW: I will be ready to make a statement.

Mr. FISHER: It may save us some time, Mr. Chairman, if we know how many witnesses are going to appear.

The CHAIRMAN: We may have some other witnesses.

The committee adjourned.

APPENDIX "A"

April 7, 1959.

Committee on Railways, Canals and Telegraph Lines,
House of Commons,
Committees and Private Legislation Branch,
Ottawa, Ontario.
Gentlemen:

We understand that you will be giving consideration to proposed legislation on freight rates on Thursday, April 9, 1959 to discuss a subsidy of twenty million dollars to enable the railways to make a roll-back of the 17% increase allowed them by the board of transport commissioners to become effective December 1, 1958, which will entail a reduction of class and commodity freight rates (other than competitive rates).

One question which we believe should be thoroughly considered is what is meant by the term "other than competitive rates". In eastern Canada, and specifically interprovincially between Ontario and Quebec, the transport industry, for whom we publish and file tariffs, has published class rates similar to those of the railways, and many commodity rates are published in the same way; these we would consider competitive. A good many of these rates, although competitive, bear no symbol to indicate this fact in either the rail tariffs or the transport tariffs.

We feel that the committee should give serious thought to how parliament can justifiably consider, let alone grant, a roll-back at the request of some of the provinces. The board of transport commissioners, whose members have a good many years' experience in these matters, came up with an equalized scale of class rates on a mileage basis which was definitely accepted as being fair and reasonable, and, after careful attention had been given to all particulars pertaining to the necessity of an increase in freight rates, granted a 17% increase.

If these rates are rolled back by the use of subsidization, then the transport industry must, of necessity, roll back its rates to equal those of the railways. This would result in a definitely discriminatory situation, if carried out, as it would appear that no consideration is being given to subsidizing the transport industry for the loss which they would have to bear. If subsidization is fair in one instance, it should certainly be given to all forms of transportation.

There is another matter which should also be investigated, and that is the depressed rates which the railways have established between Montreal and Hamilton, London and Toronto, and which were not given any increase on December 1, 1958. The transport industry has, on two occasions, increased its comparative rates since the railways first established them. If these rates had been increased between the volume points, it would have netted the railway companies a substantial amount of additional revenue and they would still have been below the rates of the transports.

Very truly yours,
W. A. Wallace,
Canadian Transport Tariff Bureau.

Appendix B

APPENDIX "B"
Graphs, Charts, Maps and Tables Contained in the Brief of
Canadian Trucking Associations Inc.

TABLE 1

**HORIZONTAL RATE INCREASES AND ACTUAL RAILWAY REVENUES
PER TON MILE**

Index: 1946 = 100

Year	Maximum permissible level of railway rates	Average Revenue Per ton mile
1946	100	100
1947	100	105.2
1948	121	122.9
1949	131	130.2
1950	145	144.8
1951	162	141.7
1952	170	143.8
1953	198	155.2
1954	198	158.3
1955	198	152.1
1956	212	146.9
1957	220	158.3

SOURCES: Maximum Permissible Level of Railway Rates: index compiled from tabulation by Canadian Industrial Traffic League, January 9, 1959. Circular Issue No. 3776.
Average revenue per ton mile: index compiled from Dominion Bureau of Statistics, Railway Transport Statistics.

Chart No. 1 contains the graphical presentation of the two indices.

Chart No. 1

RAILWAY HORIZONTAL RATE INCREASES
AND THE ACTUAL LEVEL OF RAILWAY RATES

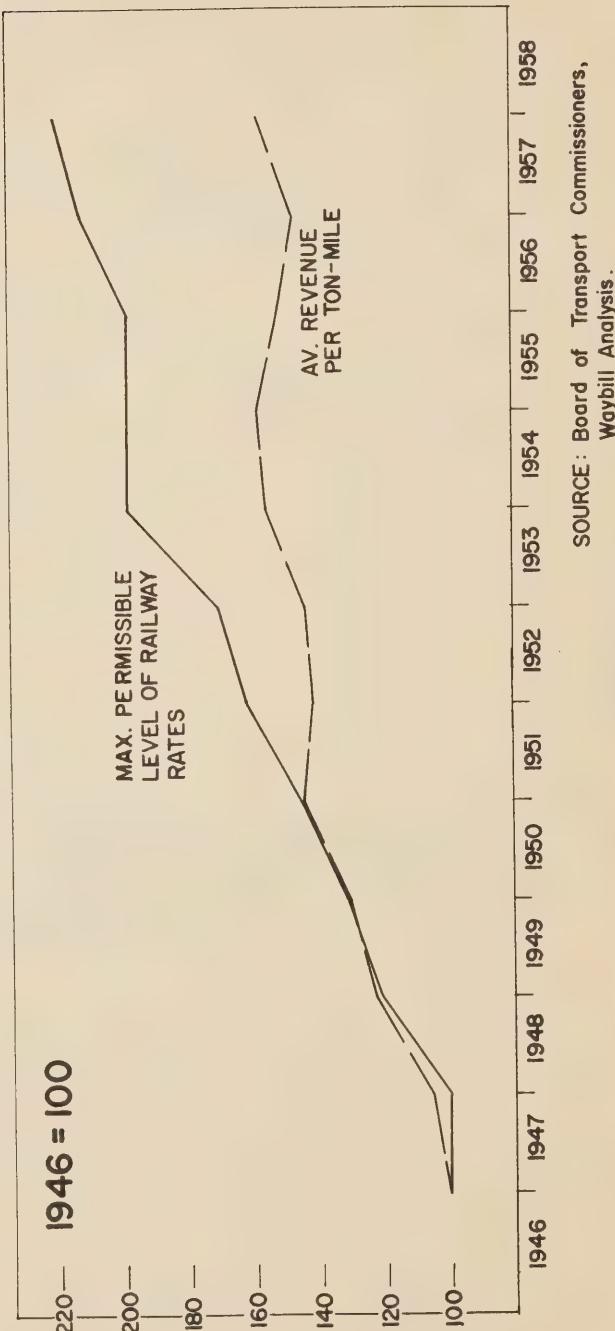


TABLE 2

RAILWAY REVENUES GENERATED BY RATE CATEGORIES, 1949-1957

Rate Categories and Regions	Rate Categories as % of Railway Revenues		Percentage Change 1949 to 1957
	1949	1957	
<u>MARITIMES:</u>			
Class rates	14.1	8.8	- 37.6
Commodity rates	76.2	61.4	- 19.4
Competitive rates	9.5	19.7	+ 107.4
Agreed charges	0.2	10.2	+ 4,900.0
Competitive rates and agreed charges	9.7	29.8	+ 207.2
<u>EASTERN REGION (CENTRAL CANADA):</u>			
Class rates	34.0	16.6	- 51.2
Commodity rates	46.6	40.1	- 13.9
Competitive rates	15.5	26.6	+ 71.6
Agreed charges	4.0	16.7	+ 317.5
Competitive rates and agreed charges	19.4	43.3	+ 74.1
<u>WESTERN REGION:</u>			
Class rates	10.0	10.0	0
Commodity rates	83.6	57.9	- 30.7
Competitive rates	5.1	21.2	+ 315.6
Agreed charges	1.3	10.9	+ 738.5
Competitive rates and agreed charges	6.4	32.1	+ 401.6

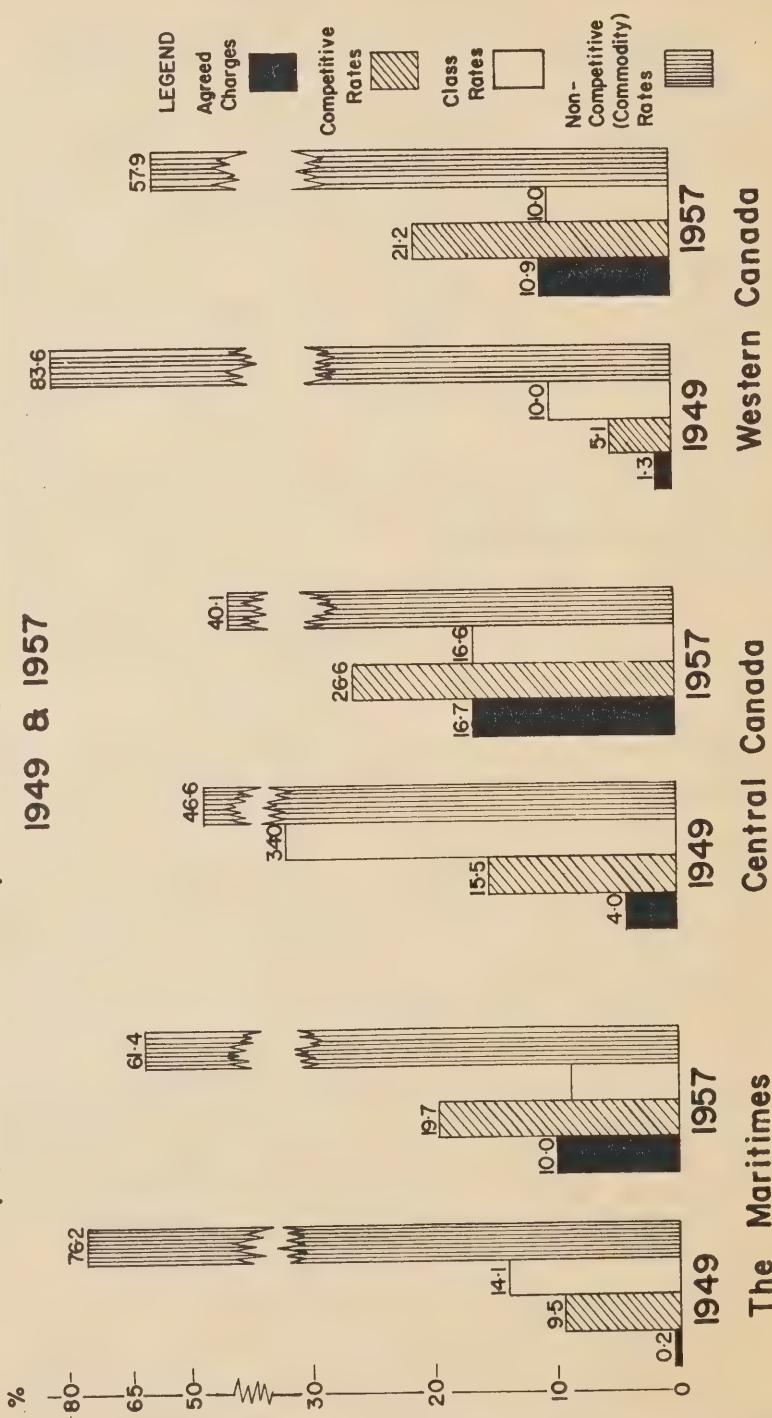
NOTE: Revenues from traffic moving at multiple rates and in mixed shipments are included with the appropriate rate category.

SOURCE: Board of Transport Commissioners, Waybill Analysis, Carload Traffic. Percentage compilations by Canadian Trucking Associations.

Chart No. 2

GROWTH OF RAILWAY AGREED CHARGES & COMPETITIVE RATES
 (Share of Revenues, in Percent, of Different Rate Categories)

1949 & 1957



SOURCE: Board of Transport Commissioners
 WAYBILL ANALYSIS

TABLE 3

GENERAL TRENDS IN RAILWAY FREIGHT RATES
cents per ton mile

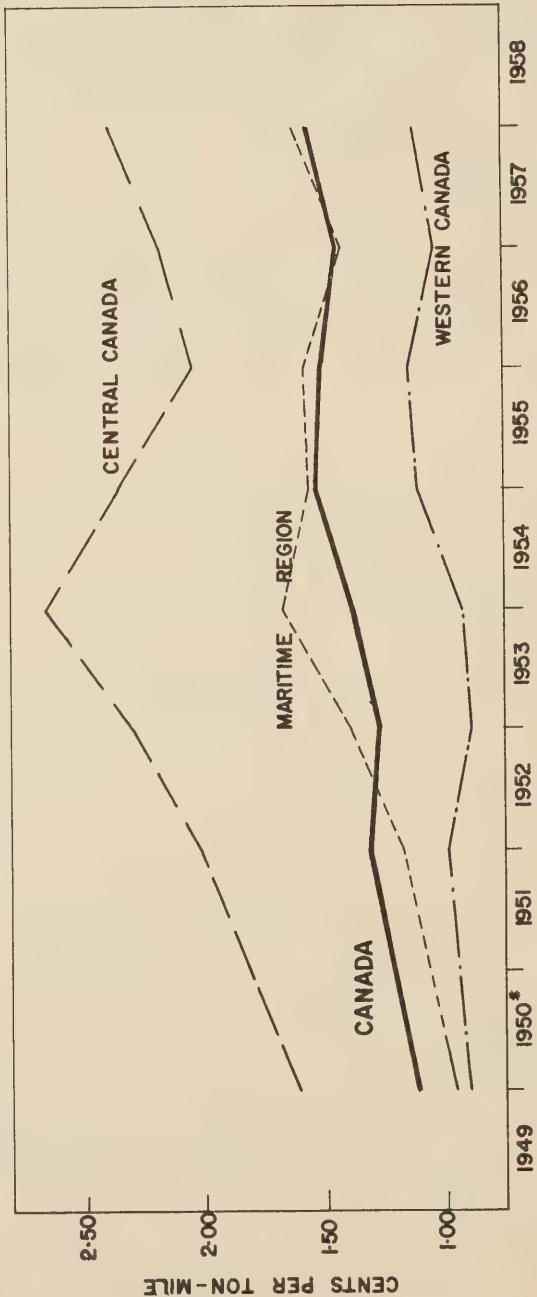
<u>Year</u>	<u>Canada</u>	<u>Maritimes</u>	<u>Central Canada</u>	<u>Western Canada</u>
1949	1.12	0.96	1.62	0.90
1950*	N.A.	N.A.	N.A.	N.A.
1951	1.32	1.18	2.02	0.99
1952	1.28	1.39	2.30	0.89
1953	1.39	1.68	2.66	0.93
1954	1.54	1.57	2.36	1.11
1955	1.52	1.59	2.05	1.15
1956	1.45	1.43	2.19	1.04
1957	1.57	1.63	2.39	1.12

* 1950 data not available.

SOURCE: Board of Transport Commissioners
Waybill Analysis, Carload Traffic.

Chart No. 3

GENERAL TRENDS IN RAILWAY FREIGHT RATES



SOURCE: Board of Transport Commissioners
* 1950 Data not available
Woybill Analysis

TABLE 4

AVERAGE LEVEL OF RAILWAY RATES BY RATE TERRITORIES
AND MOVEMENTS BETWEEN THE TERRITORIES IN 1957

rates in cents per ton mile

<u>Origination:</u>	<u>Destination:</u>		
	<u>Maritimes</u>	<u>Central Canada</u>	<u>Western Canada</u>
Maritimes	2.10	1.26	*
Central Canada	1.44	2.45	2.92
Western Canada	*	1.40	1.05

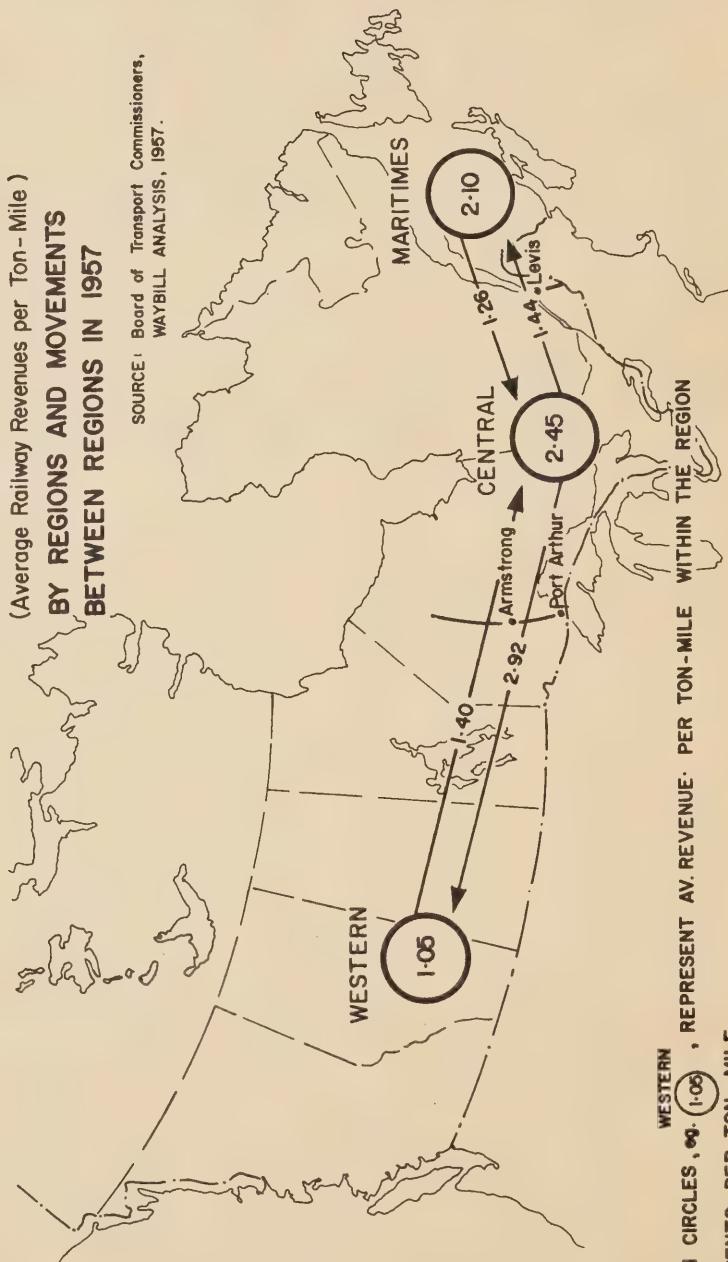
* Very small movements.

SOURCE: Board of Transport Commissioners
Waybill Analysis, Carload Traffic.

Chart No. 4

THE BURDEN OF RAILWAY RATES
 (Average Railway Revenues per Ton-Mile)
BY REGIONS AND MOVEMENTS
BETWEEN REGIONS IN 1957

SOURCE: Board of Transport Commissioners,
 WAYBILL ANALYSIS, 1957.



WESTERN
 FIGURES IN CIRCLES, e.g. 1.05, REPRESENT AVERAGE PER TON-MILE WITHIN THE REGION
 RATES IN CENTS PER TON-MILE

TABLE 5

RAILWAY FREIGHT RATES -- TRAFFIC ORIGINATING
IN WESTERN CANADA

<u>Year</u>	<u>Average Revenue Per Ton Mile</u>	
	<u>Canada</u>	<u>Western Canada</u>
1949	1.12	0.90
1950	N.A.	N.A.
1951	1.32	0.90
1952	1.28	0.89
1953	1.39	0.93
1954	1.54	1.11
1955	1.52	1.15
1956	1.45	1.04
1957	1.57	1.12

SOURCE: Board of Transport Commissioners
Waybill Analysis, Carload Traffic.

Chart No. 5

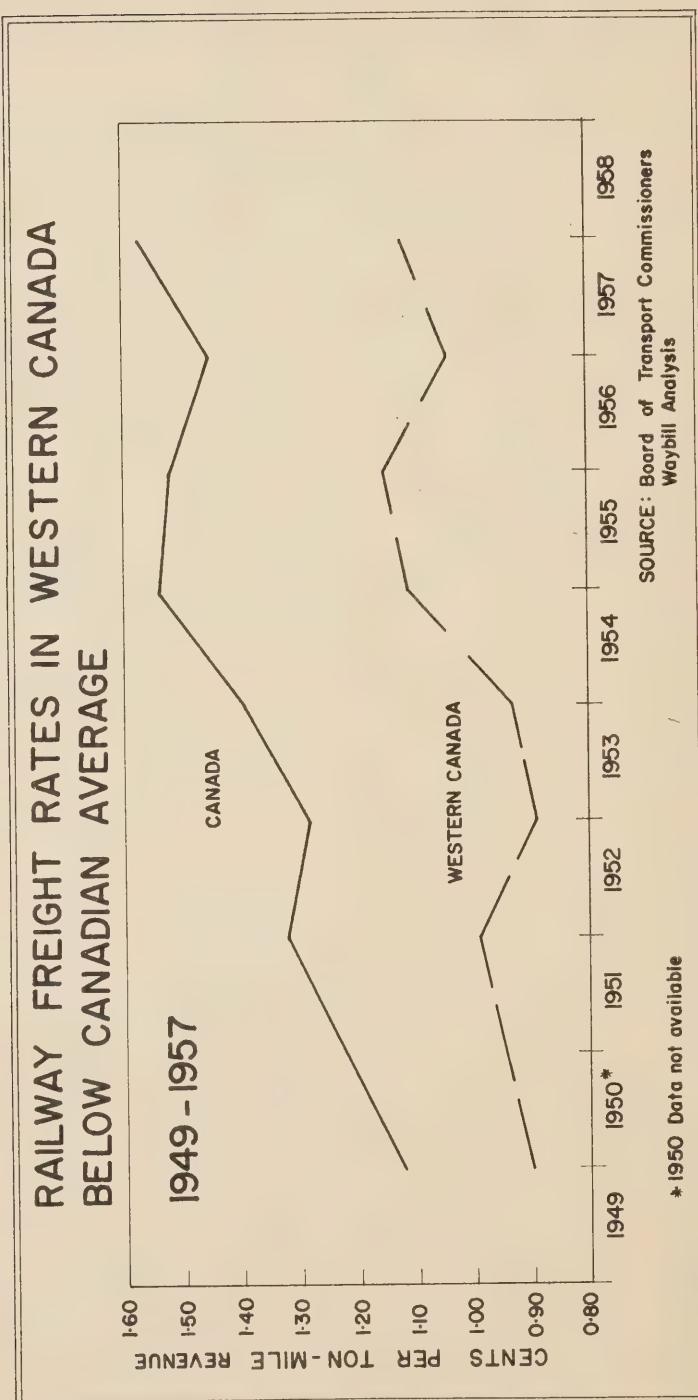
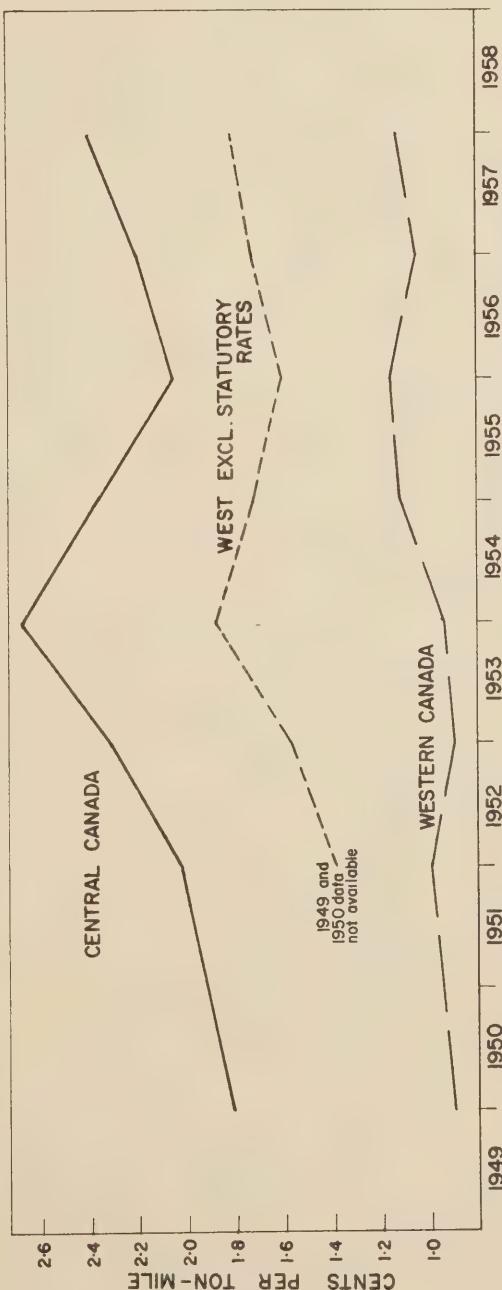


Chart No. 6

RAILWAY FREIGHT RATES IN WESTERN CANADA BELOW THE AVERAGE
FOR CENTRAL CANADA



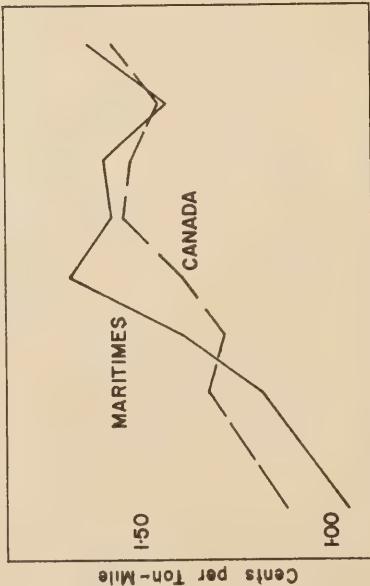
SOURCE : Board of Transport Commissioners,
Woybill Analysis.

* 1950 Data not available

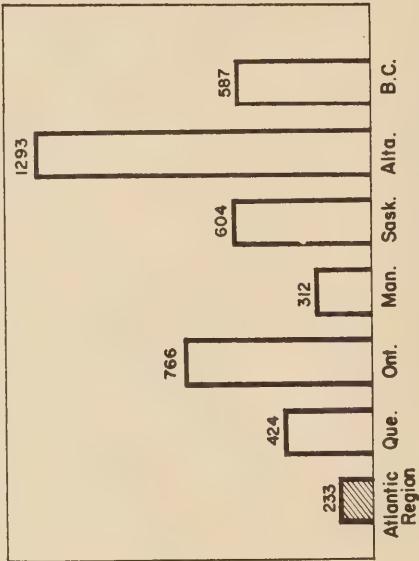
Chart No. 7

THE MARITIMES : Highest Increases in Railway Revenue Per Ton-Mile
Least Developed Trucking Industry in Canada

RAILWAY FREIGHT REVENUES PER
TON-MILE, 1949-1957



FOR-HIRE MOTOR CARRIER TON-MILES
PER HEAD OF POPULATION, 1957



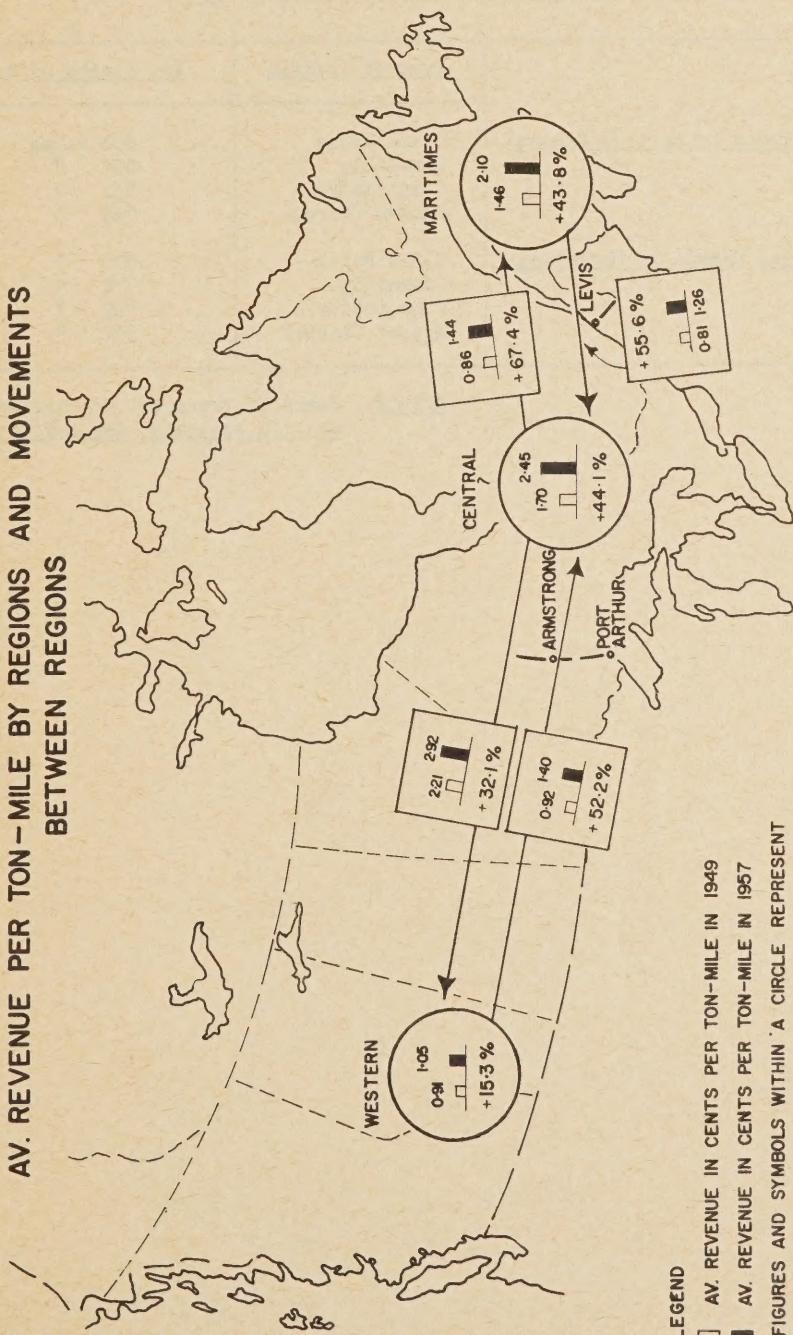
SOURCE : Board of Transport Commissioners
WAYBILL ANALYSIS

* 1950 Data not available

SOURCE : Dominion Bureau of Statistics

Chart No. 8

THE INCREASE IN THE BURDEN OF RAILWAY RATES 1949 - 1957
AV. REVENUE PER TON-MILE BY REGIONS AND MOVEMENTS
BETWEEN REGIONS



LEGEND
 □ AV. REVENUE IN CENTS PER TON-MILE IN 1949
 ■ AV. REVENUE IN CENTS PER TON-MILE IN 1957
 FIGURES AND SYMBOLS WITHIN A CIRCLE REPRESENT
 MOVEMENTS WITHIN THE REGION.

SOURCE: Board of Transport Commissioners,
 Waybill Analysis.

TABLE 6

AVERAGE LENGTHS OF HAUL -- RAILWAY TRAFFIC BETWEEN
MARITIMES AND CENTRAL CANADA IN 1957

	Type of Traffic	Av. length of haul
<u>Maritimes to Central Canada:</u>	Class Rates	800 miles
	Commodity	692 "
	Competitive	658 "
	Agreed Charges	745 "
<u>Central Canada to Maritimes:</u>	Class Rates	877 "
	Commodity	978 "
	Competitive	689 "
	Agreed Charges	672 "

SOURCE: Board of Transport Commissioners
Waybill Analysis, Carload Traffic.

